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EUROPE'S BUSINESS NEWSPAPER



# FINANCIAL TIMES

Weekend October 28/October 29 1989

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## WORLD NEWS

### Krenz grants amnesty in East Germany

Egon Krenz's East German Government yesterday declared an amnesty for demonstrators, refugees and thousands of people jailed for trying to escape to the West.

As many as 4,000 are thought to have been imprisoned for trying to flee the country, and the amnesty marks the first concrete reform of Mr Krenz's 10 days in office. Page 22; Krenz to visit Moscow soon, Page 3

#### IRA 'regrets' murder

The IRA admitted murdering an RAF corporal and his six-month-old daughter in West Germany on Thursday and said it "profoundly regretted" killing the baby girl.

West Germany's Justice Minister, Hans Engelhardt said:

"The killers have apparently gone mad in their blind political fanaticism."

**BAA court bid fails**  
British Aerospace failed to obtain a High Court injunction to stop strikes planned at two of its factories from Monday. Page 22

#### Kenya inquest verdict

The Nairobi inquest into the death last year of English tourist Julie Ward found that she had been murdered, not mauled to death by wild animals as Kenyan police had maintained. Her father, John Ward, who consistently campaigned for a murder verdict, said he would now try to uncover her killers. Page 2

#### US prison riot ended

Police stormed an overcrowded Pennsylvania prison and regained control after two nights of rioting in which 100 people were hurt and prison buildings set on fire. Four hostages were freed.

#### Soviet miners defiant

Miners in the Soviet Arctic city of Vorkuta refused to end their strike and the authorities prepared to launch legal action against them. Workers at other pits in the region had resumed work at midnight on Thursday.

#### Italian 'set alight'

An Italian worker shot dead amid a surge of anti-Italian feeling in the Libyan capital, Tripoli, was also set on fire, the Italian ambassador to Tripoli said.

**£27m cannabis haul**  
Customs officers confiscated 15 tons of cannabis worth more than £27m from a Holland-registered ship in the English Channel. The Altea was escorted to Dover and seven of its crew arrested.

#### Risk of ferry chaos

Ferry travellers between Britain and France face the risk of cancellations or long delays this weekend because of industrial action by French seamen, who began blockading Calais and Dieppe yesterday.

#### End of a KGB era

The Soviet KGB has shut down one of its main departments for investigating and watching political dissidents. The so-called Fifth Department was for decades the scourge of Soviet dissidents. Page 3

#### Abey share charges

Alexander Scott, 47, of Bexley and Michael Mawrity, 24, of Woolwich, both South London, were charged with conspiring to destroy Abey National share certificates. Both men were conditionally bailed until February. Page 4

#### Easy-open can king dies

The American who invented the pull tab openers for drink cans has died aged 76 in Dayton, Ohio. Ermal Clevon Fraze's 1959 invention was used on about 150m easy-open cans last year, said his company, Dayton Reliable Tool and Manufacturing.

#### End of summer time

British summer time ends officially at 3am tomorrow. Clocks should be put back one hour.

## MARKETS

| STERLING                               | DOLLAR  | STOCK INDICES                     |
|--|---|-----------------------------------|
| New York lunchtime: \$1.5755           | New York lunchtime: DM1.8226                        | FTSE 100: 2,092.1 (-47.5)         |
| London: £1.5765 (1.6125)               | FFY6.213  | FT Ordinary: 1,678.5 (-42.0)      |
| DM2.885 (2.985)                        | SF1.6995  | FT-A All-Shares: 1,052.55 (-2.1%) |
| FFP6.7975 (10.0625)                    | Y141.84   | DM Ind. Av.: 2,588.93 (-24.80)    |
| SF2.6225 (2.5225)                      | London: DM1.8305 (1.838)                            | Tokyo: Nikkei: 334.02 (-3.91)     |
| Y223.75 (228.50)                       | FFP6.2135 (8.24)                                    | Tokyo close: 352.29 (-15.2%)      |
| £ index: 88.2 (90.1)                   | SF1.6995 (1.606)                                    | LONDON MONEY                      |
| GOLD                                   | Y141.85 (141.85)                                    | 3-mo Treasury Bill: yield: 7.90%  |
| New York: Comex Dec \$375.8            | S\$ index: 69.6 (66.5)                              | Long Bond: 102.25                 |
| London: £374 (369)                     | S\$ Comp: 58.00                                     | Little long gilt future: 102.25   |
| N SEAS OIL (Angus) £19.025 (-0.45)     | Tokyo close: Y142.75                                | Dec 92.1 (93.25)                  |
| Chief price changes yesterday: Page 26 | US LUNCHTIME RATES                                  |                                   |
|  | Fed Funds 8.5% Fed 3-mo Treasury Bill: yield: 7.90% |                                   |
|  | London: 3-month interbank: closing 15.2% (15.2%)    |                                   |
|  | Long Bond: 102.25                                   |                                   |
|  | Little long gilt future: 102.25                     |                                   |
|  | Dec 92.1 (93.25)                                    |                                   |

No. 30,984

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## BUSINESS SUMMARY

### Polly Peck to take control of Sansui

Polly Peck International, UK-based electronics and fresh produce group, announced that it would buy a 51 per cent stake in Sansui, the troubled minor Japanese audio group, for Y15.6bn (\$25.7m).

Polly Peck is only the third foreign entity to take control of a quoted Japanese company. Page 8; Lex, Page 22; Krenz to visit Moscow soon, Page 3

**COSTA RICA** reached agreement in principle with private commercial banks for relief of \$1bn (\$220m) on its \$1.5bn debt. The deal includes a high level of debt relief and a capitalisation of past interest payments and is the first such deal with a country that is in arrears to the banks. Page 22

**GENERAL MOTORS**, world's biggest car maker, was given clearance by the US anti-trust authorities to start buying shares in Jaguar, UK luxury car maker. Ford of the US, which has made a hostile approach to Jaguar, said it had increased its holding in the company to 12.2 per cent. Page 8

**GOLD** bullion closed at its highest level for three months in London, fuelled by falling share prices on both sides of the Atlantic and a fall in the dollar. The metal broke through \$370 an ounce in early trading and ended \$5 higher at \$374 an ounce. London Bullion Market prices, Page 10

**US TREASURY** is preparing to borrow \$1.7bn (£1bn) on an emergency basis early next week so it can pay social security benefits to 38.5m pensioners and put off a default by the federal Government for a week. Page 2

**INSIDER TRADING**: Three chartered accountants were cleared by an Old Bailey jury of insider trading while working for London accountancy firm Touche Ross. David Holroyd, Ian Mori and Arthur Hill were charged after buying shares in a company in August 1987, seven minutes before the announcement of a takeover deal which boosted their value.

**NORTH SEA** Pickering gas field is expected to become the first to be developed solely for power generation as part of the electricity industry's move to reduce its dependence on coal. Page 4

**GRATTAN**, mail order company, is to cut 500 jobs at its base in base in Bradford, West Yorkshire. It blamed rising interest rates.

**SOUTH KOREA** agreed to remove import restrictions on 273 products by the end of 1987, said a Gatt official. Mainly agricultural products will be affected by the lifting of the restrictions, which were imposed for balance of payments reasons.

**NEC**, one of Japan's largest electronics groups, reported a 13.6 per cent increase in interim profits to ¥47.2bn (£211m), as increasing sales of computers and semiconductors offset a decline in sales of telecommunications equipment. Page 10

**UNISYS**, US computer systems manufacturer, reported a third-quarter net loss of \$648.2m (£411.1m) compared with net income of \$151m last time. Page 10

**OREKEM**, French state-owned chemicals producer, is to pay \$345m (£218m) for Bostik, owned chemical adhesives and sealants group. Page 10

**LBN** Broadcasting, owner of some of the most valuable US cellular telephone licences, stepped up its defences against a hostile takeover bid from McCaw Cellular Communications by agreeing to pay \$1.5bn (£1.2bn) to buy out Metromedia, its main partner in one of New York City's two cellular licences. Page 10

**FERGUSON Industrial Holdings**, UK printing, packaging and plastics group, lifted pretax profits by 7.7 per cent to £6.2m on turnover up by 14.7 per cent to £78.36m. Page 8



Weekend FT

Mrs Thatcher, accompanied by Mr Kenneth Baker, speaks to press and television reporters outside 10 Downing Street yesterday. (AP Wirephoto)

## Thatcher pledges business as usual from new team

By Philip Stephens, Political Editor

MRS Margaret Thatcher yesterday began the task of rebuilding the shattered confidence of her supporters with a pledge that her new team of senior ministers would stick firmly with the Government's existing policies.

Her promise of "business as usual" after the dramatic resignation of Mr Nigel Lawson came as Mr John Major, the new Chancellor, sought to maintain calm on financial markets by signalling that he favoured a "firm exchange rate".

The flurry of confident ministerial statements, however, failed to dispel the unease of Conservative MPs over what

many see as one of the most serious political crises Mrs Thatcher has faced during a decade in office.

Amid sombre private assessments of the outlook from senior members of the Government, there was speculation that dissident backbench MPs might mount a symbolic challenge to the party leadership next month.

Ministers said that the episode had undermined Mrs Thatcher's authority in the cabinet and would force her to adopt a more collegiate style of Government — relying more on the advice of ministers and less on that of her advisers in Downing Street.

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Mr Major's statement stressing that he will maintain interest rates at high levels until inflation brought down — was seen as foreshadowing a further short-term slump in the Government's popularity.

Ministerial colleagues said that Mr Major's determination to bring down the inflation rate meant that he would rule out tax cuts in his first Budget next March. Mr Neil Kinnock, the Labour leader, promised to step up the Opposition attack on both the Government's economic strategy and on Mrs Thatcher's style of leadership.

In a speech later today, Mr Kinnock will argue that her refusal to sack Sir Alan W-

tars in order to keep Mr Lawson in the Government demonstrated that she was no longer fit to hold the office of Prime Minister.

Mr Major also faces a full-scale debate on the economy in the House of Commons on Tuesday when Mr John Smith, the shadow chancellor, will try to repeat the success he achieved earlier this week in a performance seen as con-

tinued on Page 22

Chancellor's resignation. Page 5; Mrs Thatcher and the party, Page 6; Tories and the Community, Page 6; Editorial Comment, Page 6; The new Chancellor's problems, Page 7

## Lawson praises Major in a final autumn statement

By Ralph Atkins in Blaby

THERE WAS no great crisis in Blaby, Leicestershire, yesterday. The pound still bought the same volume of groceries at Waitrose supermarket; the interest rate on the Britannia Building Society's fixed rate bond was unchanged and the Mr. Nigel Lawson was still the sir.

Mr Lawson had arrived past midnight after the drama of Thursday night. At 11.30am yesterday, the departing Chancellor came out on the lawn of his red-brick house and gave fulsome support to his successor saying Mr John Major was an "excellent man and a first class minister".

Up to 100 reporters and pho-

tographers, who had clustered around the high wall surrounding the Old Rectory, raced to meet their deadlines leaving a television crane reaching above the trees for an aerial shot of the red-brick house.

Mr Lawson returned inside. The Chancellor had fallen, the autumn leaves were falling and calm returned to Stoney Stanton, the tiny village a few miles outside Blaby, where Mr Lawson lives.

"I should not have liked his job," said Mrs Rev Handy, a neighbour. "He will go for a quiet life now."

That remains to be seen. Continued on Page 22

Money Markets, Page 11; World Stocks, Pages 12 and 13; London Stocks, Page 15; Lex, Page 22

## Defeat of inflation 'remains priority'

By Patrick Harverson and Rachel Johnson

MR JOHN Major, the Chancellor, said last night he favoured a firm exchange rate for the pound.

In his first substantial statement on exchange rate and economic policy, the new Chancellor told his Huntingdon, Cambridgeshire, constituency, that the defeat of inflation remained the Government's highest priority.

The statement came too late, however, to reassure financial markets.

Sterling, the value of equities and UK Government bonds fell sharply in London amid earlier uncertainty in financial markets about UK economic policy after Mr Nigel Lawson's resignation as Chancellor on Thursday and the expected policy stance of the largely unknown Mr Major.

The pound was sold steadily throughout the day. Overseas investors were said to have been particularly heavy sellers of the currency.

Share prices were also marked sharply lower before he spoke, after heavy foreign selling. The FT-SE 100 Share Index closed down 47.3 at 2,083. Prices of long-dated UK government bonds fell two points to yield 10.2 per cent.

Last night the Chancellor warned of a difficult period ahead for the British people. Ending inflation would not be

Continued on Page 22

Money Markets, Page 11; World Stocks, Pages 12 and 13; London Stocks, Page 15; Lex, Page 22

## TWO OLES FOR DEMOCRACY

Voters go to the polls tomorrow in the third general election since the death of Franco. Peter Bruce assesses the political state of the nation and concludes the system isn't doing its job

Page 1

## Finance

How to pick a PEP without getting into a pickle

Pages III-VI

## How to Spend It

Lucia van der Post visits Michel Roux in the kitchen of his Berkshire cottage

XVII

## Motoring

Stuart Marshall tips Europe's Car of the Year

Pages VIII

## Books

John Plender reviews Anthony Trollope's "Midas Touch"

Pages XV

## OVERSEAS NEWS

## Ban on speech highlights US split over Gorbachev

By Peter Riddell, US Editor, in Washington

**LONG-RUNNING** differences within the Bush Administration about the prospects for internal reform in the Soviet Union have erupted publicly in the blocking of a speech by Mr Robert Gates, the deputy national security adviser, at the insistence of Mr Baker.

Mr Baker and his staff rejected two drafts of the speech because they regarded it as excessively pessimistic about President Mikhail Gorbachev's chances of success, especially in relation to the Soviet Union's economic and ethnic problems.

The State Department does not believe US officials should be publicly writing off Mr Gorbachev's policies and future, whatever their widely-shared private doubts.

Consequently, Mr Baker told Mr Brent Scowcroft, the national security adviser, and Mr Gates' superior, that it would be best if the speech was not delivered. He did not want misleading signals to be given at a time of closer discussions between the US and the Soviet Union.

## US Treasury to borrow \$17bn

By Peter Riddell

THE US Treasury is preparing to borrow \$17bn on an emergency basis early next week so it can pay social security benefits to 38.5m pensioners and put off a default by the federal government for a week.

The borrowing is necessary because of congressional deadlock over a bill to raise the federal debt ceiling. This has to be passed by Tuesday midnight otherwise a temporary increase in the ceiling to \$2.8 trillion (1,000 billion) approved three months ago runs out and the ceiling reverts to \$2.5 trillion. The emergency borrowing on Monday and Tuesday will defer

The dispute follows two recent speeches by Mr Baker which have welcomed Mr Gorbachev's programme of perestroika and seen in it areas of advantage to the US. Following his meeting five weeks ago in Wyoming with Mr Edward Shervarzian, the Soviet Foreign Minister, Mr Baker has been taking an increasing public profile in arguing for a positive attitude towards changes in the Soviet bloc.

However, a number of other influential policymakers, including Mr Dick Cheney, the Defence Secretary, and members of the National Security Council staff, have expressed considerable doubts about Mr Gorbachev's prospects. They believe the US should be wary of changing its present strategic missile and arms control stance when there is no evidence of a fundamental change in Soviet nuclear policy and given that Mr Gorbachev could be replaced by a more hard-line Soviet leader.

Vice President Dan Quayle, who has acted as a lightning rod for the views of conservative Republicans, has also been

much cooler about Soviet reform than Mr Baker.

The conservative columnists Rowland Evans and Robert Novak yesterday reported that Mr Scowcroft had written "very euphoric" on a copy of Mr Baker's recent speech on East/West relations.

The disclosure that Mr Baker successfully blocked the speech is certain to infuriate conservatives who are inherently suspicious of the State Department and praise Mr Gates as a realist about Soviet intentions.

Mr Gates was until the beginning of this year the deputy director of the Central Intelligence Agency and has made no secret of his doubts about whether Mr Gorbachev's political moves will really alter Soviet capacity and intentions. He has pointed to continued activity overseas by the KGB.

In the sections of his speech to which Mr Baker objected, Mr Gates apparently painted a very gloomy picture both of internal tensions within the Soviet Union and of the prospects for success of perestroika.

## Hawke under attack over environment

By Chris Sherwell in Sydney

NINE leading Australian business groups yesterday mounted a vitriolic attack on Prime Minister Bob Hawke's Labour government, over its attitudes to the environment.

The unprecedented attack follows controversial government decisions refusing a go-ahead for two large export-earning projects: a \$350m pub and paper mill in Tasmania, and a gold, platinum and palladium mine in the Northern Territory.

In a joint statement released in Canberra, the nine said recent government decisions had sent a clear message to Australian business. "That message is: resource development and business investment are subject to short-term political expediency."

The greatest threat to business investment is uncertainty. The uncertainty created by a government which goes back on its undertakings is undermining business confidence."

The signatories included the Business Council of Australia, the Confederation of Australian Industry, the Australian Chamber

of Commerce and the Australian Chamber of Manufacturers.

Also on the list were the Australian Mining Industry Council, the National Association of Forest Industries, the Australian Petroleum Exploration Association, the National Farmers' Federation and the Pulp and Paper Manufacturers' Federation.

The decisions have not ruled out the projects altogether, but they face lengthy delays at a critical time, and the participants are unsure whether the projects will ever begin. The groups said it was a failure for politicians and bureaucrats to assume that general investment proposals was costless.

The costs of indecision and uncertainty were not to be measured in terms of jobs and export income, they added, but in terms of import replacements, lost opportunities, technological progress and the development of an efficient, value-added manufacturing sector.

Referring to the government's Resources Assessment Commission, designed to

weigh all interests, the group said: "the Government has yet to provide any undertaking that this process will replace short-term political expediency. Business cannot confidently invest in the current climate," they declared. "We urge the Government to renew business confidence by establishing and abiding by clear and firm guidelines for investment and environmental protection."

Australia and Indonesia have agreed details of a treaty covering the "Timor Gap" - the oil-rich Timor Sea area between the north coast of Australia and the Indonesian island of Timor.

Mr Gareth Evans, the Foreign Minister, and Mr Peter Cook, Resources Minister, said yesterday the agreement would be signed in December. The treaty divides the area into three parts, one for each country and a third for joint development.

It sets out details for joint area exploration, mining, regulation, and royalty and taxation arrangements. Bids for exploration licences are expected to be called next year.

## Tourist was murdered, Kenyan court rules

A KENYAN court ruled yesterday that a UK tourist who died last year in a game reserve was murdered, rejecting charges of an official cover-up, AP reports from Nairobi.

"I think the animals are innocent," said Chief Magistrate Joseph Mungo, rejecting the state's contention that Julie Ward, 28, had been eaten by carnivores. "There is ample evidence that Julie Ward died of foul play by a person or persons unknown." He "saw no reason" to direct that her death be investigated further.

### US jail riot ends

Police firing tear gas stormed a Pennsylvania prison and freed three remaining hostages yesterday, to end a second night of rioting, Reuter reports from Camp Hill. "We are once again in control," an official said. Some 44 guards, and inmates were injured during 14 hours of rioting.

### Spending steady

US personal disposable income and spending were unchanged in real terms in September, the Commerce Department said yesterday. Anthony Harris reports from Washington. The August car sales boom slowed somewhat, with heavy buying of discounted cars cutting the personal savings rate to 5.1 per cent over the third quarter, against 5.4 per cent in the second quarter.

### Marcos ruling

The Philippines Supreme Court yesterday rejected a petition to allow the family of Ferdinand Marcos to return to the country with his body, ruling the dead former president remained a threat to national security, Reuter reports.

### Tokyo prices up

Consumer prices in Tokyo have risen by 3.3 per cent this month against the same period last year, due to labour shortages, higher oil prices and the fall in the yen, the Management and Co-ordination Agency said. Stefan Wagstyl reports from Tokyo. The increase is the sixth monthly rise in succession of 3 per cent or more. Nationwide prices in September rose 2 per cent.

### Ivory Coast loan

Ivory Coast has been awarded a World Bank loan of \$215m aimed at financing the country's structural adjustment programme, Mark Huband reports from Abidjan. The loan exceeds the \$185m which had been expected. Repayment will be over 20 years beginning in 1995, with 7.74 per cent interest.

### Uruguay meeting

Uruguay and its leading creditor banks have agreed to meet in New York in the week beginning December 11, to continue discussions on a debt reduction package, AP-DJ reports. The two sides are discussing a debt reduction package including buy-back of loans from creditor banks.

## Brussels explains TV duties

By Tim Dickson in Brussels

THE European Commission yesterday invoked long-term consumer interests to justify its decision to impose provisional anti-dumping duties on small-screen colour television (SCTV) sets made in South Korea.

The duties, which have to be confirmed by EC foreign ministers, range from 10 to 13 per cent in the case of the three main Korean producers (Daewoo, Goldstar and Samsung) and up to 19.6 per cent for all other exporters.

In an unusually detailed press release accompanying the announcement - which officials privately admit reflects sensitivity to recent criticism of EC dumping actions - the Commission said the injury to Community producers had been "material". The domestic industry, which includes Philips, Thomson, Grundig and Nokia, had "lost important market shares and suffered an unsustainable pressure on prices as a result".

Such damage "threatens the present viability and future development of the whole Community television industry, and must also be seen in the context of related technologies throughout the consumer electronics sector".

The Brussels statement stressed that to establish the "general Community interest" the Commission had weighed two main sets of interests - those of producers and those of consumers. "After careful consideration, it concludes that in this case the benefits of protective measures for the producers outweigh the possibility of very limited and short-term undesirable effects for the consumers".

In the absence of dumping duties, the EC's SCTV industry could disappear, with substantial job losses, while by seriously damaging the television industry's general marketing base, its potential in the large-screen sector would be weakened, "and this at a crucial time given the current advance towards high-definition television technology".

THE Soviet KGB, scourge of political dissidents for decades, has closed down one of its principal departments for their investigation and surveillance, Gen. Vladimir Kryuchkov, the chairman of the state security committee, has revealed.

The so-called Fifth Department, or FBI, Chief Directorate, used to be responsible for all forms of political dissent, including religious dissent, ethnic minorities, the intelligentsia and the artistic community.

Mr Kryuchkov, who has become a high-profile ally of President Mikhail Gorbachev, admitted that the Fifth Department had been responsible for "mistakes, shortcomings, and regrettably even excesses".

He indicated to the government newspaper Izvestia that the new department for the protection of the constitution would still provide for some control of internal dissent.

However he added that the new department would require "a high level of legal knowledge, and a humanitarian approach to each individual" from KGB operatives.

## Gandhi v Gandhi in India poll

By David Housego in New Delhi

DECLARING that he could no longer be a "mute witness to the assault" on India's democratic values, Mr Rajmohan Gandhi, the grandson of Mahatma Gandhi, yesterday defended his decision to stand against Prime Minister Rajiv Gandhi in the Amethi constituency.

At a crowded press conference in New Delhi, Mr Rajmohan Gandhi described his candidate in the language of a moral crusade against what he called "corruption at the highest level". The opposition's announcement that he would stand against the Prime Minister has been met with anger and shock.

The main charge that seems likely to haunt him through the campaign is that he was an activist in Moral Rearmament

- the movement identified with right-wing crusading anti-communism. Mr Gandhi said yesterday he still supported the ideals of the movement, but said: "I have never hated the Communists and do not hate them. I am looking forward to working with the Communists to fight the anti-

democratic forces."

Asked whether he would make use of the fact that he is a grandson of the Mahatma in the campaign, he drew laughter by saying: "I will not hide the fact."

The humorous tone of the press conference was in sharp contrast to the grim reports from east Bihar of a rising death toll in rioting between Hindus and Moslems. Over 70 people are said to have been killed since Sunday in Bhagalpur and other towns.

Large contingents of troops have been flown to the region to halt the violence. Mr Buta Singh, the Home Minister, said the government was considering banning religious processions and demonstrations. Hindu fundamentalists' processions appear to have been at the root of the riots.

## González may need to seek pacts

By Peter Bruce in Madrid

MORE THAN 20m Spaniards go to the polls tomorrow in a general election which could bring an end seven years of majority government by Prime Minister Felipe González's Socialist Party.

Polls suggest the Socialists will win between 168 and 182 seats in the 350-seat Cortes in Madrid. The loss of more than nine of his 184 seats would force Mr González either to form a coalition with which he has said he will not do, or to make political pacts with the small, conservative Basque or Cata-

lian nationalist parties.

The chief threat has emerged in the past month from the communist-led Izquierda Unida (IU), which has been campaigning on the government's failure to bring down high unemployment and on fears that Mr González intends to impose tough economic restrictions on the country after tomorrow to combat rising inflation and a record trade deficit.

Although the IU may triple its current seven seats in the Cortes, it is highly unlikely to play a role in the next govern-

ment. Mr González has said he will not campaign as Prime Minister again, but even if he is forced to govern through pacts with other parties, he is unlikely to call new elections before 1993, when Spain hosts the Olympic Games and the World Fair.

The chances of his retaining an overall majority tomorrow are, anyway, quite good provided the normally efficient Socialist machine is able to bring out its voters. Predictions of low turnout also tend to favour the government.

## KGB closes anti-dissident section

By Quentin Peel in Moscow

THE Soviet KGB, scourge of political dissidents for decades, has closed down one of its principal departments for their investigation and surveillance, Gen. Vladimir Kryuchkov, the chairman of the state security committee, has revealed.

However he revealed that a new department for the protection of the constitution would still deal with "subversive activities of anti-socialist elements within the country". It would include which political dissidents.

The so-called Fifth Department, used to be responsible for all forms of political dissent, including religious dissent, ethnic minorities, the intelligentsia and the artistic community.

Mr Kryuchkov, who has become a high-profile ally of President Mikhail Gorbachev, admitted that the Fifth Department had been responsible for "mistakes, shortcomings, and regrettably even excesses".

He indicated to the government newspaper Izvestia that the new department for the protection of the constitution would still provide for some control of internal dissent.

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Tourist was  
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## OVERSEAS NEWS

More unilateral Soviet troop withdrawals announced

## Warsaw Pact ministers warn against upsetting borders

By Quentin Peel in Moscow and Christopher Bobinski in Warsaw

ATTEMPTS to question the existing borders of Europe could undermine European stability, Warsaw Pact foreign ministers said yesterday in a clear reference to the issue of German reunification.

The ministers reiterated the right of all states to be able to "choose freely the roads of social, political and economic development with no external interference".

This was despite the presence of Mr Ioan Totu, the Romanian representative, whose ruling Communist Party in August mooted the idea of a Warsaw Pact intervention in Poland to stop the installation of a Solidarity government.

The declaration on non-interference in the internal affairs of other nations is in line with present Soviet policy which has been shown to be extremely tolerant of developments in Poland and Hungary. Nevertheless Mr Eduard Shevardnadze, the Soviet Foreign Minister, speaking in an unprecedented interview yesterday with the Solidarity newspaper *Gazeta Wyborcza* refused to condemn the Warsaw Pact intervention in Czechoslovakia in 1968.

He said that it was for the Czechoslovak leadership to assess the events of the year and that the Soviet Union did

not have the right to impose any other view. But he did add that the decision to go in had been a common Warsaw Pact one and that there had been

no cuts will involve 1,200 tanks, as well as unspecified reductions in artillery, in order to convert the North-Western army group to a "purely defensive" role, he said.

His announcement, clearly intended to coincide with President Mikhail Gorbachev's state visit to Finland, said further cuts depended on reciprocal steps by the US and Nato.

He made it clear, in an interview with Tass, the official news agency, that cuts were part of the unilateral reduction in Soviet armed forces announced by President Gorbachev last December.



However, particularly in the Leningrad and Baltic areas, where he said the personnel cuts amount to one third of existing strength, the reductions are disproportionately large.

The Baltic area, including the three Soviet republics of Estonia, Latvia and Lithuania, is not normally included in the North-West region, but troops there can be seen as a political concession to local resentment against the presence of large Red Army contingents.

However he expressed his concern at the "lack of prospect for the complete liquidation of nuclear weapons in the region" and by what he described as recent setbacks to disarmament.

"They find expression above all in Nato's unwillingness to carry on negotiations on naval forces, to extend confidence-building measures to the naval activities of both blocs, especially in the Atlantic, and in the Norwegian and Baltic Seas," he said.

**Anatomy of a march in E Berlin**

This week has seen another wave of reform demonstrations in East Germany. The authorities are bending but are insisting that "dialogue" does not take place on the street: should demonstrations escalate, a ban is likely. David Goodhart marched with the demonstrators earlier this week in East Berlin and found the atmosphere surprisingly gentle



Demonstrators, mostly carrying candles, march through Erfurt after prayers for peace in several churches on Thursday night. The banner reads: "So many words - what now?"

**SCHÖNHALLER Allee**, one of East Berlin's finest residential avenues, flickering with the candles of young marchers as far as the eye can see, with dozens of balconies along the avenue responding with their own candles of solidarity. It is one of the most impressive, and unexpected, sights in an Eastern Europe hardly short of them these days.

The marchers were a mixed bunch but the leading section could have come from a student demo in London - an excitable youth wrapped in a PLO scarf, a few punks, earnest-looking young Christians. At the head was a woman of 20 holding a large picture of a butterfly.

Considering their youth, and the fact that the previous march in East Berlin on October 7-8 had been broken up by truncheon-wielding policemen, there was a remarkable confidence about the 5,000 marchers. With their candles and jokey chants - "Schmitzler" (a conservative TV commentator) for the Muppet Show - it felt more like a carnival than a defiant protest.

East Berlin cannot, yet, match those old strongholds of socialist agitation like Leipzig which is bringing hundreds of thousands onto the streets. But Berlin is the brains of the East German reform movement to Leipzig's brawn.

Temporarily, the brain has found a home in the Gethsemane Church, just off Schön-

haller Allee, whose walls have become an open newspaper for the movement. It was from there that the impromptu march began after a two-hour political meeting.

The 3,000 crammed into the church for the meeting were even more mixed than the marchers and included plenty of "ordinary" people - stocky workers in leather jackets, young secretaries and nurses, Christian families. But the tone was set by the intellectuals - writers, artists, designers - with their sensitive, engaged, faces and (for the men) Bartol Brecht haircuts, who together create a politically committed, anti-establishment style similar to the Greens in West Germany.

After singing a Hebrew chant, listening to a strange sermon about Jerusalem and an even stranger violin recital - which had some of the workers shifting impatiently in their seats - the real business began: open letters to the authorities from two dozen individuals or representatives of the half dozen reform groups.

The demands are becoming ever more bold and specific and now include UN supervision of multi-party elections, a school and legal system independent of the party, and the abolition of military service. Immediate demands are cry-

tallising around a properly balanced inquiry into ballot-rigging in last May's municipal elections, and ditto for the police attack on marchers three weeks ago. The woman sitting next to me, a secretary, said she now spoke quite openly at work about attending such meetings.

After the meeting, while the older people and the families went home and the organisers of the meeting stayed in the church, many of the younger participants, without visible organisation or hierarchy, began their march.

Turning into Schönhaler Allee

there was a tense moment when nobody knew quite how the half-dozen policemen there would react; the new liberal majority prevailed and they agreed to shepherd the march to the People's Parliament in the centre of town where the marchers wanted to deliver a letter.

Soon the marchers, all smiles and laughter, found voice and began shouting "Join us" or "On the streets" or "TVs off! Come outside" to their mainly rather bewildered-looking fellow citizens. Some did join them, and a good number of by-standers - perhaps one-third - indicated their support in some way. Most just stared.

As the march got into its stride, the woman with the butterfly was replaced by a

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## UK NEWS

## North Sea gasfield will be dedicated to power supply

By Maurice Samuelson

A NORTH SEA gasfield is expected to become the first to be developed solely for power generation as part of the electricity industry's move to reduce its dependence on coal.

PowerGen, one of the companies to be formed from the Central Electricity Generating Board, is in close talks with Atlantic Richfield, the US oil company, over use of the Pickering field, in the North Sea's southern basin, 60 miles off the east coast of England.

It would provide fuel for a 1,000 megawatt power station planned by PowerGen at Killingholme, Humberside.

Completing the deal will strengthen the credibility of

gas as a competitor to coal in the British electricity market.

PowerGen, its bigger sister company, have a number of gas-burning power stations on the drawing board. Most of the plants proposed by independent generators are also gas-fired.

The Pickering field, with at least 850 bn cu ft of saleable gas, is relatively large in North Sea terms. Discovered five years ago, it could be brought on stream in 1991 and would have a life of about 20 years.

The cost of developing it, including building a pipeline to the coast, is put at some £200m.

Because of its previous scarcity, gas is at present only used by the electricity industry to meet peaks in winter demand. However, with increasing quantities becoming available, it is becoming competitive with coal, Britain's primary power source.

Gas is also claimed to be less harmful to the atmosphere than large-scale coal burning in power stations, which requires expensive anti-pollution equipment.

Atlantic Richfield, with a 30.75 per cent stake, will operate the Pickering field. The second-biggest shareholder, with 18 per cent, is British Petroleum.

## Schools policy faces court test

By David Thomas, Education Correspondent

PARENTS AND governors of a school in the south London borough of Lewisham are seeking a judicial review of an education authority's right to give preference to its own residents when allocating school places.

The move might have wide implications for some of the Government's educational reforms which are designed to intensify competition between schools for parental support, as well as for the future of education in London after the abolition of the Inner London Education Authority (Ilea).

The case has been taken to the High Court by governors and parents of John Ball primary school, which is in Lewisham but close to the borders of Greenwich. Tradition-

ally, many children from John Ball have gone on to secondary schools in Greenwich, which caused no difficulties when the schools all fell under Ilea.

Once Ilea is abolished next April, Greenwich will become responsible for its own education.

It has already decided that priority will be given to children of Greenwich residents when allocating places in over-subscribed schools.

Mr Patrick Edwards, chairman of John Ball's governors, said the school's parents had reacted with "total disbelief" to the decision. He said: "Our children are being cut off from the schools they traditionally went to."

Mr Edwards is among a group of parents who successfully petitioned the High Court this week for a judicial review of a local authority's right to give preference to its own residents in this way.

The outcome of the case could have wide implications not just for other borrows taking over from Ilea, but also throughout the country, since many education authorities have give preferential treatment to their own residents in allocating school places.

The issue is likely to become more important as a result of government reforms designed to give parents more control over where their children go to school.

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He confirmed, though, that Homes Assured had been a client.

## Homes Assured had offshore accounts

By Richard Waters

FRAUD squad inquiries into Homes Assured, the former financial services group whose directors included Sir Edward du Cann, are focusing on accounts held with a Danish bank on the Isle of Man.

Homes Assured and its 12 subsidiaries each had an account with the bank, Andelsbanken, in addition to their main banking relationship in the UK with National Westminster.

The accounts were opened with a Scandinavian private banking operation called Hellerus, which was later taken over and renamed Andelsbanken in May last year. It is not known why the company, a nationwide group that arranged endowment mortgages and home improvement loans for council tenants seeking to buy their homes, maintained the offshore accounts, or the extent to which they were used.

According to an undated internal document passed to the liquidators, Hellerus was listed at one time as having about a 3.5 per cent shareholding in Homes Assured.

Homes Assured Corporation was wound up on a petition by Andelsbanken, a creditor, for £24,513 under an overdraft facility.

Mr Antonio da Costa Ferreira, managing director of Andelsbanken in the Isle of Man, refused yesterday to discuss his bank's relationship with Homes Assured on the ground that such discussion would contravene the island's banking act.

He confirmed, though, that Homes Assured had been a client.

## Losses Lloyd's cannot quantify

Patrick Cockburn examines the effect of new rules on open years

IN THE middle of 1982, H. G. Chester & Co, a managing agent in the Lloyd's of London insurance market, noticed that notification of impending claims for 1986 on its syndicate Marine 65 for pollution and asbestos liabilities in the US had begun to increase alarmingly.

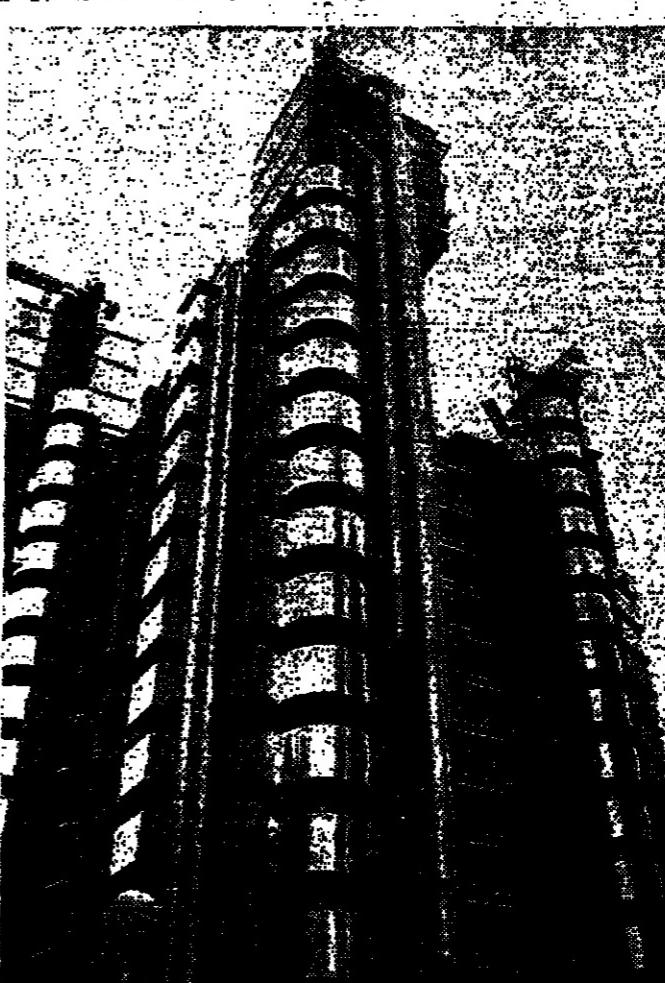
By April this year, actuaries called in by H. G. Chester estimated that the correct figure for reserves for Marine 65 in 1986 for pollution was at best \$3m and at worst \$42m. The range for asbestos was a further \$10m. Faced with that degree of uncertainty, Mr Richard Martin, who runs H. G. Chester, says he had no option but to leave the accounts for 1986 open at the end of the three-year Lloyd's accounting period, although he knew that would go down badly in the market.

Nor was he mistaken. The 2,304 members (or Names) on Marine 65, members' agents, underwriters, some of the bigger brokers and the council of Lloyd's, were all, to a greater or lesser degree, taken back by the decision. It was part of the background to this week's decision by the council to issue stringent new regulations for managing agents who want to leave a year open on the ground that losses are unquantifiable.

In future, a managing agent who wants to keep a year open must seek an independent actuarial report, including an opinion as to whether he has acted reasonably. When deciding the premium for Reinsurance to Close (RTC) — the means by which an account is closed at the end of three years — he must also look for an independent quote on the market. Only if none is available, or the price demonstrably unacceptable, will the managing agent be able to leave the account open.

All that, together with other regulations, makes life more difficult for managing agents. Leaving a year open will be less of an easy option in future, although Mr Martin says that "easy" is the last word to be used to describe his action last April.

This followed complaints by thousands of investors that they had not received their share certificates after the Abbey National stock market flotation on July 12.



Alastair Muir  
The Lloyd's building: lack of precedents on which to work

cates with open years, says his agency already follows most of the rules now being introduced.

Mr John Heynes, former chairman of the Lloyd's Underwriting Agents Association, says it will make it more difficult to duck away from a problem by declaring a year open.

The temptation to do that is obvious enough. If a year is not

settled, Nor does it deal with the tasks facing Lloyd's as a whole in coping with claims stemming from pollution or asbestos in the US, the financial cost of which cannot be foreseen.

Some underwriting agencies see the change as beneficial.

Mr Roy Kirsch, of Sturge Holdings, the biggest underwriting agency, which has no syndicate.

A BUSINESSMAN was awarded \$28,688 damages by a High Court judge yesterday against a syndicate of Lloyd's underwriters who refused to cover him in a legal dispute with a neighbour.

The award plus interest and costs was against

Lloyd's underwriter Mr Michael Payne, a scrap merchant of Wimborne, Dorset, and his neighbour Mr Edward Wells,

who took Mr Corbin to court complaining of damage to his property from a machine used by Mr Corbin to crush vehicles.

The award plus interest and costs was against Lloyd's underwriter Mr Michael Payne, who was sued on his own behalf and on behalf of the other members of the syndicate that underwrote the policy.

Similar potential losses may be necessary to call for more cash from the Names belonging to a syndicate. Members of syndicates for succeeding years are happy to be isolated from past difficulties with which, by the device of open years, they have no connection.

One analyst comments: "A new Name will tend to chose a syndicate with an open year in the past over one that has not simply because old losses are cut off."

Other managing agents see the new rulings as largely cosmetic or shooting past the target. Mr David Evers, of David Evers Underwriting Agency, says: "If there are heavy penalties for keeping an account open, then they will be closed when they should not be."

The difficulty is that, given the structure of Lloyd's, whereby each syndicate has a membership that shifts from year to year, it is virtually impossible to decide with equity who should bear the burden of losses stemming from past difficulties. There is an obvious and inevitable conflict of interest between existing Names and those belonging to the next year of the syndicate over the financial terms on which past liabilities will be transferred.

An increased role for independent actuaries and seeking a quota for RTC in the market do not really get round the issue.

Mr Martin says there is no way he could have got a quote in the market. By the very fact that the difficulties of Lloyd's in the 1980s stem from new and often unprecedented US court rulings on pollution and asbestos, auditors lack precedents on which to work.

Similar headaches afflict other syndicates, few of which could be resolved with sufficient precision to set the premiums for RTC.

Mr Peter Nutting, chairman of the steering committee of Names belonging in 1982 to Marine Syndicate 317/86 managed by R. H. M. Outhwaite - the most famous and potentially most expensive of the open years - makes a further point that even when reserves have been agreed it would be necessary to get the Inland Revenue to go along with the figure.

## EMPLOYMENT

### Ambulance unions say 'intransigence' caused talks failure

By Fiona Thompson, Labour Staff

UNION leaders of Britain's 22,500 ambulance workers offered to sign a no-strike deal in return for a pay formula which would trigger automatic pay rises, but the Government refused, Mr Roger Poole, chief trade union negotiator, said yesterday.

He blamed the intransigence of Mr Kenneth Clarke, Health Secretary, for the breakdown of Thursday's peace talks at the conclusion of service Acas.

The union leaders met Mr Duncan Nichol, NHS chief executive, for eight hours in a bid to resolve the six-week long dispute over a rejected 6.5 per cent pay offer.

"Mr Nichol knows 6.5 per cent is untenable, and he understands the need for a pay formula," said Mr Poole. "But he couldn't move an inch without my saying so."

The dispute would continue until Mr Clarke either "comes to negotiate with us or gives authority to Mr Nichol to negotiate with us."

Leaders of the five unions representing Britain's 22,500 ambulance workers will meet on Tuesday to consider tightening up their action. But this would not affect the accident and emergency service.

A ban on overtime and rest

### The hard-working world of Mr Clarke's partner

By Alan Pike, Social Affairs Correspondent

WHEN Duncan Nichol became chief executive of the National Health Service on the day after the Government announced its reform plans, colleagues said he was the ideal partner for Mr Kenneth Clarke, the Health Secretary.

Nichol, they explained, would get on with the vital hard work of preparing the NHS for the biggest changes in its history without challenging his political master for the high-profile glamour and glory surrounding the selling of the reforms to the public.

Since then the Health Secretary has had nine months of the glamour, if not the glory — opinion polls show that the public remains sceptical about the proposed reforms in spite of Mr Clarke's energetic salesmanship. Duncan Nichol, meanwhile, has been getting on with a lot of hard work.

He is currently in the public eye as the leading negotiator on the management side in the ambulance workers' dispute.

But although an increasingly familiar figure within the NHS, he remains relatively unknown outside the service, considering that he is chief executive of the biggest employer in Europe, managing a annual budget of more than £22.5bn.

This says as much about the nature of the job as it does about Nichol.

The post of NHS chief executive is a recent creation, reflecting several years of attempts by Ministers to run the health service more like a conventional business.

In 1983 the Government accepted the recommendations of a working party chaired by Sir Roy Griffiths, its health service adviser, that all levels of the NHS should have general managers responsible, at national level, to a management board.

The ambulance dispute has demonstrated this week, that when an issue in the NHS becomes controversial/difficult/interesting/vote-winning/vote-threatening or any combination of these, it inevitably becomes political as well.

The ambulance dispute is something of a diversion from this activity.

Next month, in the new session of Parliament, the Government will introduce what is

expected to be a hotly-contested Bill to reform the NHS and the preparations for bringing in the main changes from April 1981, will gather pace.

Nichol enjoys a high reputation among other NHS managers for his widespread knowledge and experience of the service, and this will be of value to him in the controversial days ahead.

### Tests show oil workers 'better in teams'

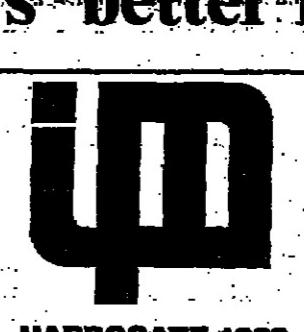
NORTH SEA oil workers tend to perform better if they are willing to work in teams and are able to get on well with others, according to a psychological test of 35 Texaco employees working on the Tarzan Alpha platform.

The study, presented at the Institute of Personnel Management's annual conference, also found that the better supervisors tended to be tough-minded, and those who were more sympathetic and tolerant were less successful.

The pilot study matched psychological profiles of the oil workers with performance ratings. It found that better performance was linked to people who were slow at taking decisions and took time to assess situations.

Texaco said that the results of the survey, carried out in the wake of the Piper Alpha

disaster to help with selection of oil workers, were confidential. Further surveys are now



John Gapper and Jimmy Burns report on the annual conference of the Institute of Personnel Management

disaster to help with selection of oil workers, were confidential. Further surveys are now

being carried out on other companies' oil platforms.

The study was carried out by researchers from the Robert Gordon's Institute of Technology following research indicating that personality differences in offshore workers tended to be linked to accident rates and occupational stress.

Those workers rated as high performers were rated as not difficult to manage, tending not to be outspoken or argumentative, and were generally prepared to listen to and consult others.

Mr Jeremy Forty, Texaco personnel director, told a seminar that there was rising interest in the scheme.

The second course, costing £16,000, has been extended from 18 weeks to 24 to include more language teaching.

Trainees are taught clerical skills working towards a Royal Society of Arts certificate.

• Joshua Tetley has raised profits in its public houses by recruiting managers through selection procedures based on personality assessment, a seminar was told by Mr Terry Lunn, personnel director.

The study found that the option of dividing work spaces into smoking and non-smoking areas and imposing restrictions on the times during which smoking was permitted was not used by many organisations.

Prof James McIlveen, director of Community Medicine at King's College, suggested that companies should wary of creating a "ghetto" mentality among smokers, with smoking "networks" developing as a result of special rooms being set aside for smokers.

• ICI Pharmaceuticals has reduced lead times at its Macclesfield plant by 30 per cent by training supervisors to become first line managers and passing over more responsibility to teams working under them, a seminar was told.

The three other companies involved in funding the Spitalfields JobLink project are Directors, the Trustee Savings Bank, and Lloyds Bank. The Bank has employed three of those who completed the first course.

The three other companies involved in funding the Spitalfields JobLink project are Directors, the Trustee Savings Bank, and Lloyds Bank. The second access course has been extended to give more language training.

The Spitalfields project, supported by Business in the Community, is one of a number of initiatives by employers to improve ethnic minority recruitment to compensate for the falling numbers of white school-leavers.

Mr Hugh Harris, associate director of the Bank, told a seminar that there was rising interest in the scheme.

The second course, costing £16,000, has been extended from 18 weeks to 24 to include more language teaching.

It also urges companies to establish regular consultation procedures on issues such as new working practices, new technology and financial performance.

Mr Stevens cited the examples of France and West Germany where the concept of a "social partnership" has allowed a climate of industrial relations to develop which is relevant not just on regulation but also on mutual responsibility of managers and unions.

He argues that in the UK employee participation had developed over the last ten years somewhat randomly under a Conservative government seeking to promote "popular capitalism" through a voluntary introduction of share option schemes.

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## UK NEWS - THE CHANCELLOR'S RESIGNATION

**Special advisers play shadowy political role**

By Hazel Duffy

**THE TWIN** resignations of Mr Nigel Lawson and Sir Alan Walters have uncovered the shadowy roles of special advisers in general and in particular of those who personally advise Mrs Margaret Thatcher as opposed to those who are part of the government machine.

The roles are shadowy in the sense that advisers tend to stay one step behind their ministers and do not make their opinions public.

Sir Alan was a notable exception - he was determinedly open in the essentially secretive system of government that operates in Britain.

Special advisers have had a relatively short and chequered role in British politics. Some have flourished, others failed. Some careers, like Douglas Hurd, who was an adviser to Edward Heath, and David (now Lord) Young, brought in to the Department of Industry by Sir Keith Joseph.

There have been other con-



Mrs Thatcher with Charles Powell, her private secretary

troubling figures - the "Hungarian twins" brought in by Harold Wilson in 1964, Nicholas Kaldor at the Treasury, Tommy Balogh in the Cabinet Office to assist the Prime Min-

ister, raised the hackles of many a senior civil servant.

They were brought in to pro-

vide the economic expertise that Wilson did not think the civil servants could give him.

There are those which he

describes as "the eyes and ears

It was 10 years later, under another Labour government, that special advisers became almost the rule, rather than the exception. But the special adviser has proved to be a minister - political advisers were becoming more common.

The Thatcher years have largely continued the trend. Most ministers now have advisers. There is considerable variety in their backgrounds and in the roles ministers expect them to play.

Mr Howard Davies, controller of the Audit Commission, former Treasury official, and one of Nigel Lawson's advisers for a period, puts advisers into three categories.

There is the political appointment, often from the research department of Conservative Central Office, with ambitions to become an MP. They are usually young, cutting their teeth in the machine.

There are those which he

describes as "the eyes and ears

of the minister", following the person from one department to another.

The most senior come within the specialist category that brought Mr Lawson into the system. Their job reflects the considerable weight some ministers put on their advisers.

They frequently act as negotiators, representing the views of their ministers and sound-

ing out the views of other min-

isters - most importantly, the Prime Minister.

At No 10, the role seems to be

taken by the policy unit, headed by Brian Griffiths, the City University professor of banking. The unit, like that which served Wilson and Cal-

laghan, is very much the Prime Minister's advisory centre.

Sir Alan seemed to have

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## FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL  
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Saturday October 28 1989

## Constraints on Mr Major

**MR JOHN MAJOR** has risen by being put in the place of senior ministers who have fallen foul of the Prime Minister's aversion to the European Community, in general and the European Monetary System, in particular. The only thing he has done to deserve this reward is that he has carefully avoided controversy on these and most other subjects. This luxury he has now lost.

His party may hope that Mr Major will develop (and then agree with the Prime Minister) a new policy, one that will reduce inflation and permit a substantial lowering of interest rates – all in time for the next election and without too deep a recession in between. Pace Mr John Smith, the shadow Chancellor, no new policy to achieve this miracle exists.

All Mr Major can do is to try to exploit the limited freedom he has. But first he will need a clear understanding of the fix the Government is now in. Since Mr Lawson and Mrs Thatcher agreed on so much, it was no ordinary dispute that divided them so bitterly.

### Sensitive issues

Their conflict lay at the intersection of two sensitive issues: relations with the EC, on the one hand, and the future of monetarism, on the other. After the early 1980s, it was widely agreed that the focus on broad money had proved unworkable. This left two indicators, narrow money and the exchange rate. Those close to Mrs Thatcher knew to narrow money, but Mr Lawson regards it as no more than a coincidental indicator.

In his view a different, more credible policy rule was required and, in this way, he was led to the exchange rate mechanism of the European Monetary System. Against him he then found ranked both the believers in narrow money and Mrs Thatcher herself, with her anxieties about the loss of national sovereignty.

The shift by Mr Lawson and Mrs Thatcher's subsequent response created a long-running and damaging dispute. The main consequence for economic policy is that Mr Major now inherits a Treasury which no longer follows any clear rules at all. Though the Gov-

ernment appears to have the freedom created by this pragmatism, it is bound by circumstances, instead.

One might suppose, for example, that the Government will now pay much less attention to the exchange rate. It is, indeed, this belief that has pushed the effective exchange rate down by 2 per cent since Thursday evening and the exchange rate against the D-Mark by 7 pence.

### Higher profitability

The consequence of the depreciation should, if it lasts, be higher profitability in the production of tradable goods and services. Yet this is not the end of the story. No government will be indifferent to a collapsing exchange rate. If the trend continues, there will be action, including higher interest rates. If so, the change in policy would be nothing like as large as some now expect. Mr Lawson's resignation would simply mean a somewhat lower pound and a somewhat higher interest rates than would otherwise have been the case.

Partly because of the pressures in the foreign exchange markets and partly because of the lags inherent in all economic policy, Mr Major can do little to alter the economy within the time horizon set by the next election.

What then can he see ahead? Interest rates at their present level will unquestionably create a recession in the end. The key questions for the Government are first how seriously the slowdown will affect productivity; secondly, how quickly the present upturn in wages will come to an end; thirdly, how damaging the squeeze on profitability will prove, particularly for investment; and, last but not least, whether exports will continue to grow at a satisfactory rate.

The answer to those questions will be determined by the success of the policies that united Mrs Thatcher and Mr Lawson. Beyond reassuring the markets, as he will have to, Mr Major is, like everyone else, doomed to be a spectator of the searching test of Thatcherism that is now under way.

## The axe over the Tory party's head

By Joe Rogaly

**T**he question of Britain's role in the European Community hangs like an axe over the head of the Conservative Party. It was Sir Geoffrey Howe's disputation over the EC that so irritated Mrs Thatcher and her immediate advisers earlier this year that she removed him from the Foreign Office. It was a long-standing quarrel over Britain's membership of the exchange rate mechanism of the European Monetary System that led to the avoidable resignation of Mr Nigel Law-

son as Chancellor.

The irony of this is that Messrs Howe and Lawson are both pusillanimous torchbearers of free-market liberalism – the very creed that the Prime Minister, in more than one outburst, has insisted is threatened by "Marxism" and "socialism" imposed from Brussels. "We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level," said Mrs Thatcher in Bruges on September 20, 1988.

"Sovereignty is not virginity, which you either have or have not," said Sir Geoffrey in Blackpool on October 11, 1988. "Only Robinson Crusoe could count himself master of all he surveyed." The Deputy Prime Minister's view is that in every international treaty and transaction there is a giving and taking of the elements of national power.

The joke that tired in its use against Sir Geoffrey by No 10 is that just as the Department of Industry represents industry, so the Foreign Office represents foreigners. Would his immediate successor, Mr John Major, have been any different had he remained at the FO for more than three months?

In conversation, Mr Major comes across as one who understands very well that Britain's future lies in the EC, and that if must, indeed, seek to be a leader on the other side of the Channel. Even if you fight for British interests, you do best if you use the language of the Community-minded. He knows that this is the young-

"THERE IS NOTHING like blind loyalty in a crisis," said one of Mrs Margaret Thatcher's senior ministers in the immediate aftermath of Mr Nigel Lawson's stunning departure from her Government.

So the public message from the Prime Minister and her reshaped cabinet yesterday was that the Conservative Party would respond to the latest political turmoil in its time-honoured fashion – by closing ranks.

It will not be that simple. The wounds on the Government and on Mrs Thatcher's own reputation left by the most spectacular resignation since Mr Peter Thorneycroft quit as Mr Harold Macmillan's Chancellor in 1957, will not heal easily.

Mr Kenneth Baker, the party chairman, spent yesterday trying to ram home a single message both to the Government's own supporters and to the wider electorate.

The loss of Mr Lawson was regrettable, but the three great offices of state had been filled with skilful, experienced, ministers who would ensure that the Government's policies remained on track.

Despite the clarity of Mr Lawson's own letter to Mrs Thatcher – confirming a deep rift over exchange rate policy – there had been a personality clash, rather than a deep-seated policy conflict, Mr Baker insisted.

Even publicly, Conservative party managers were stressing that once the dust had settled the resignation would leave the Government stronger rather than weaker. With Mr Lawson and Sir Alan Walters gone, the Government would no longer be undermined by debilitating internal rows between the Prime Minister and her Chancellor over economic policy.

Displaying something less than political fact, Downing Street insisted that, far from being downcast, the Prime Minister was on "very good form ... her usual high-spirited self."

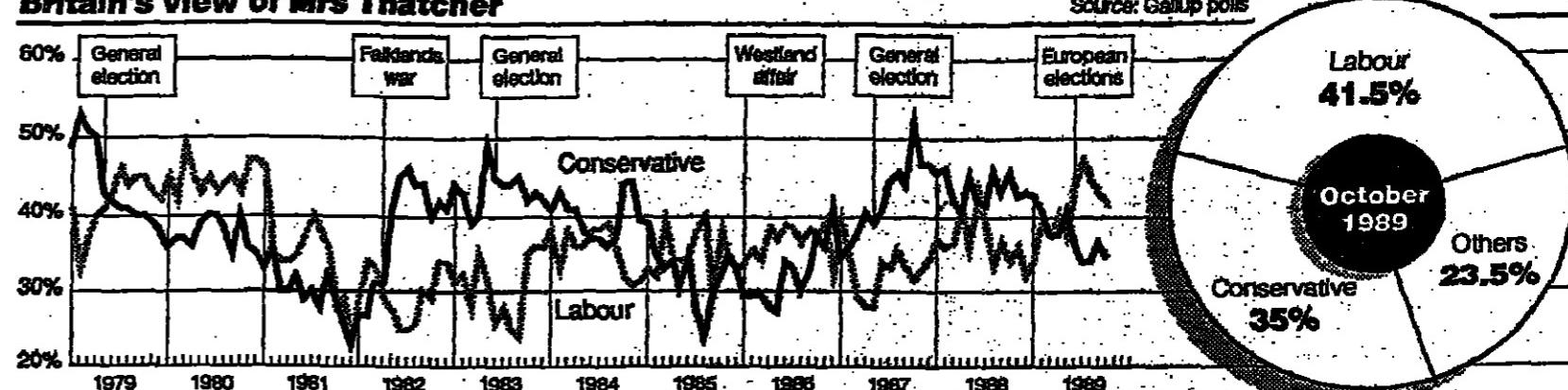
But the mood among her supporters at Westminster as they surveyed the political wreckage was far from sanguine. They appeared less than convinced by Mr Baker's, or for that matter, by their own public statements that what the Government faced was a squall rather than a hurricane.

For the first time since the crisis over the future of the Westland helicopter company in January 1986, Conservative MPs were questioning seriously whether the Government can any longer take for granted victory at a general election.

The Conservative Party is 10 points behind Labour in the opinion polls, has been forced to put up interest rates to their highest level since 1981, and faces a long, hard struggle to bring down inflation and close the country's massive trade gap.

Even before Thursday's events, the task of beating off the challenge of Mr Neil Kinnock's remodelled Labour Party had been the most formidable it had faced during a decade in office. Now, one usually confident senior minister commented, assuring the Government's future would require a

### Britain's view of Mrs Thatcher



lot of hard work and a great deal of luck."

As importantly, Conservative MPs are asking whether Mrs Thatcher is still the invincible electoral asset she has so far proved to be.

The Prime Minister's style of government – recognised even by her supporters as autocratic if not authoritarian – had been a source of internal controversy from the moment she entered Downing Street in May 1979.

There have been a number of storms, notably during her purge of the "Wets" in her first term of office and following the departure of Mr Michael Heseltine and Mr (now Sir) Leon Brittan over the Westland crisis.

But until recently the prospect of an almost indefinite series of electoral victories have blunted the criticism. As long as Mrs Thatcher offered success in the polling booths both her position and her style were seen as unassailable.

Labour's victory in June's European elections and the surge of discontent in Conservative ranks over Sir Geoffrey Howe's enforced de-

valuation approach to their new jobs.

According to a colleague, the pro-European Mr Hurd, a former Neutarian of Mr Edward Heath, "has had a key to the Foreign Office in his waistcoat-pocket for the last 30 years."

But for those very reasons Mrs Thatcher would never have put him there in normal circumstances. Just three months ago was willing to sack him from the Home Office to Sir Geoffrey. If he had accepted it, Mr Hurd would probably have found himself in the House of Lords.

Mr Major, despite being characterised by Labour as a cipher for Mrs Thatcher and notwithstanding his problems with her over South Africa during the Commonwealth conference, is now in an impregnable position. His views over the European Monetary System – the issue at the centre of Mr Lawson's resignation – are far from identical to those of the Prime Minister. Unlike his predecessor, he will be able to take a fairly dispassionate approach to the EMS and he is against any precipitate

### It is possible a backbench MP may challenge Mrs Thatcher for the leadership to test the party's mood

ture from the Foreign Office in the July cabinet reshuffle were thought to have changed that.

Mrs Thatcher concurred with Mr Baker that the Government's strategy in the run-up to the next general election should emphasise a collective approach to decision-making.

"The Right Team for Britain's Future" was the slogan on the back-drop to the platform at the party conference in Blackpool just two weeks ago. Mrs Thatcher sat back – appearing almost detached – as Mr Baker and her ministers set out the policies on which the battle with Labour would be fought.

The consensus among ministers, however, is that her authority within the Cabinet has been significantly undermined.

Mr Major at the Treasury and Mr Douglas Hurd at the Foreign Office are said to be "unsinkable" and neither is likely to adopt a particularly

"Thatcherite" approach to their new jobs.

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Mr Major's colleagues believe he will have to maintain the monetary squeeze well into next year

move while the economic outlook remains uncertain. His instincts are those of Mrs Thatcher or those of Sir Alan Walters.

One senior minister summed up the general mood among his colleagues in this way: "We now have rather a good cabinet ... it just was not an ideal way to get there." Another said Mrs Thatcher (in the cabinet) now. "If such ministers are right, a more collegiate approach to running the Government will not solve its problems.

Mr Major avoided another rise in interest rates yesterday, but the economic forecasts handed to him when

he arrived in his Treasury office yesterday painted a far from an encouraging picture.

Even without a further fall in sterling's value, Mr Major's colleagues believe that will have to maintain the present monetary squeeze well into next year and that his first Budget in March will be nothing if not austere.

Tax cuts next year are already being ruled out, and there is a growing conviction among ministers that the time required to bring down inflation and the current account deficit will leave Mrs Thatcher no alternative but to delay an election until the spring of 1992.

Mr Major might still hope to avoid an outright recession, but that will offer little consolation to voters facing an intense and prolonged squeeze on their living standards.

Against that austere background, Mrs Thatcher's new team has still to cope with the unpopularity of the sale of the water and electricity industries, the introduction of the poll tax, and reform of the health service.

Now will the Government's dilemma over Europe go away. French President François Mitterrand is widely expected to use the European Community summit in December to step up the pressure on Britain to take sterling into the EMS – perhaps by bringing forward next July the abolition of French exchange controls.

The newly-confident Labour party will be ready to seize the opportunity. Mr Kinnock has made clear that the "revisionist" shift into the political centre ground signalled by this year's policy review will continue right up to the election.

Mr John Smith, the Labour shadow chancellor, expects plenty of opportunities both to exploit the continuing squeeze on living standards and to re-open differences between Mrs Thatcher and her ministers over Europe.

One senior minister was yesterday consulting himself with the thought that it had taken the Government only 18 months to recover from the depths of the Westland affair and go on to win a massive majority at the 1987 election.

But then, of course, it could rely on an economic boom – delivered by Mr Nigel Lawson.



Geoffrey Howe, disgruntled survivor; Michael Heseltine, ambitious outsider; Douglas Hurd, convenient fall-back; David Waddington, counterweight

## A curious mix of survivors

Malcolm Rutherford reviews Mrs Thatcher's Cabinet reshuffles

Party. Only a few weeks ago she put in Mr John Major whose qualifications for the Chancellorship were at least adequate, but for the Foreign Office unconvincing.

Practically the Prime Minister realised that her credibility would have been even more at stake if she had not put in one of her favourites. Professionalism told in the end. Hurd thus becomes one of the great survivors of the Thatcher period and, like others, with roots that go back to Mr Edward Heath, the former leader.

Another survivor, from whom not much has been heard lately, is Mr Peter Walker, now Secretary of State for Wales. Mrs Thatcher had no great obligation to put him in the Cabinet in the first place, but she did and she has never dared to dismiss him. The reasoning must be that he could be a greater threat to her brand of Conservatism than the Government itself. Walker, who seems to have been around and regarded himself as speaking for Middle England – never a voice to be overlooked in the Tory Party, Mr Walker is only 51.

Before Mr Lawson's resignation, Sir Geoffrey Howe looked like a survivor on the way out. Possibly he was allowed to stay on only because his popularity in the Parliamentary Party, perhaps the most successful of the privatisations, Mr Howe may have been less outstanding since, but he is still around and regards himself as speaking for Middle England – never a voice to be overlooked in the Tory Party. Mr

Walker is only 51.

feel grateful to her. Indeed when the battle for the succession comes, it would be unwise to overlook Mr King as an outside candidate who could make it as the compromise winner. Mr King is 55 and went down very well at this year's Tory Party Conference.

Norman Fowler, the Employment Secretary, is a survivor of another kind. He has one outstanding achievement to his credit. As Transport Secretary in Mrs Thatcher's first Government, he presided over the management buy-out of the National Freight Corporation, perhaps the most successful of the privatisations. Mr Fowler may have been less outstanding since, but he is still around and regards himself as speaking for Middle England – never a voice to be overlooked in the Tory Party. Mr

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Sir Geoffrey was dismissed as Foreign Secretary in the summer in favour of a parvenu. He has now seen the post restored to a professional and a heavy-weight – some justification of his own claim that he ought to have been allowed to stay on. He also has the nominal title of deputy Prime Minister.

Again the Prime Minister seems to have turned to him in emergencies rather than because he was her ideal choice. He has no particular reason to

who is called to adjudicate, in what would be a highly political task.

By now Sir Geoffrey has no reason at all, except his own natural loyalty and decency, to be grateful to Mrs Thatcher. He disagrees with her profoundly on European policy. If he were ever to strike, or anyone were to seek to persuade him to do so, it would have to be fairly soon. Sir Geoffrey is bordering on 63, only a shade younger than the Prime Minister.

Outside the Cabinet stalks – some would say stalks – Mr Michael Heseltine, now 58. So far, Mr Heseltine is the only Minister to have resigned, rather than been dismissed, from Mrs Thatcher's Government and to have stayed in the political game. There is no need to speculate about his political ambition. Everybody knows what it is and he makes no attempt to hide it. He wants to be the next Tory Party leader.

Since departing over Westland, Mr Heseltine has behaved with consummate skill: hardly a hint of disloyalty, and almost never in public. At the same time, he has begun to map out a rather different future: more European and interventionist in economic policy. Only a fool would decline to put a modest bet on his chances of the succession.

**D**ominating the front hall of Number 11 Downing Street are two full length portraits — one of Gladstone, the other of Disraeli.

In a way it is highly appropriate that these two titans of nineteenth century politics should be the first things to confront Mr John Major as he moves into the traditional London home of the Chancellor of the Exchequer.

For Mr Major will need the political skills and graces of a Disraeli and the rigour of a Gladstone if he is to overcome the crisis that has overtaken Government policy making and divided Number 11 from Number 10, the home of the Prime Minister and First Lord of the Treasury.

He also faces a task unknown to his distinguished 19th century forebears but which would have stretched their political and presentational skills to the utmost: that of convincing financial markets around the world that he is his own man and not just the Prime Minister's poodle.

As he starts his new job, all eyes will be focused on the new Chancellor's attitude towards the issue that led to Mr Lawson's resignation: Will Mr Major support Mr Lawson's instincts and back speedy British entry into the exchange rate mechanism of the European Monetary System, thus demonstrating that he is his own man? Or will he instead ally himself with the Prime Minister, who despite agreeing to take the pound into the ERM at the Madrid Summit of European Community leaders in June, appears to have as much distaste as ever for pegging sterling against other currencies?

Mr Major has left few hostages to fortune on this issue or any others in his meteoric rise to the chancellorship. Until three months ago, he was a very able Chief Secretary to the Treasury. In this post, which has Cabinet rank and which he held for two years, he displayed consummate negotiating skills. But he was not required to pronounce upon either the exchange rate or the European Monetary System.

In his intervening brief spell as Foreign Secretary, he tended to sound more conciliatory than Mrs Thatcher on European questions. However, in a speech in mid-September in New York he made clear that Britain would not push for immediate membership of the exchange rate mechanism of the EMS although he said the Government supported the idea in principle.

But although the Government on Thursday gave all the appearance of a house divided, the picture is not as simple as that. Mrs Thatcher and Mr Lawson probably agreed on 90 per cent of economic policy issues, most notably on the goal of combatting inflation. This is a common heritage shared by Mr Major that will stand him in good stead.

Indeed one of the oddities of Mr Lawson's resignation was that the differences between him and Sir Alan Walters, the Prime Minister's former part-time adviser who also resigned on Thursday, were over agreed policy. Since Madrid, the Government has been to join the exchange rate mechanism, and thus peg the pound to the Deutsche Mark, once British inflation had fallen from its present high 7.6 per

**Peter Norman measures the challenges facing Britain's new Chancellor**

## Groping for clarity in a house divided

cent level to a rate in line with the UK's European partners and after those member countries of the EMS which still deployed exchange controls had lifted them.

Mr Lawson went because he perceived that this agreed process was being undermined by Sir Alan. Mr Lawson's problem was not that Mrs Thatcher specifically opposed British entry into the ERM. Indeed she has always maintained, despite her insistence that Governments should not "buck the market" on exchange rate issues that Britain would become a full member of the EMS "when the time was ripe."

The former Chancellor's difficulty was that so long as Sir Alan was opposing full British membership of the EMS, the markets believed that a rift existed between himself and Mrs Thatcher. When the prime minister refused to dismiss Sir Alan, Mr Lawson went because he believed nobody outside Downing

was reassuring but gave nothing away. It underlined that inflation was the most damaging problem facing Britain, that monetary policy was tight and beginning to work and that monetary policy would be kept tight for as long as is necessary.

Against this background, there are arguments for and against expecting rapid moves towards British membership of the ERM.

Arguing against early membership is the fact that despite the Madrid compromise, nothing has changed in Mrs Thatcher's approach to the EMS. In addition to believing that "fixed rates don't stay fixed" she dislikes the idea of foreign interference with UK sovereignty.

Moreover, Sir Alan may have gone but another anti-EMS adviser could be waiting in the wings. Mr Brian Griffiths, the head of the Downing Street policy unit, is a born again Christian and a hard-line, dogmatic monetarist. Unlike Sir Alan, Mr Griffiths maintains a public silence. But his influence with the Prime Minister is substantial.

An opposing view, argued in favour of rapid ERM entry, would put the Lawson/Walters clash down to personalities. It remains a mystery, for example, why Mr Lawson insisted on making the Prime Minister choose between him and Sir Alan. He went out of his way in the House of Commons last Tuesday to attack Sir Alan for describing the EMS as "half baked", when he could have easily fudged the issue.

Pundits tipping rapid ERM entry could also argue that Mrs Thatcher could not afford to have a confrontation with Mr Major at present, if he decided that the "time was ripe" for Britain to become a full member of the EMS and enter the ERM.

One theory circulating in the City yesterday was that Mr Major might decide to establish his credibility with the markets, by pushing for ERM entry. For a man who is reputed to be fearlessly ambitious underneath a genial facade, such a stance would have the added bonus of showing that he is not Mrs Thatcher's lapdog.

But economic politics rarely deliver such clear cut choices. For the moment at least, policy will not change radically under Mr Major as Chancellor.

**There is a strong desire for a clearer, rule-based system of economic management in Britain, for some sense of fixity**

Street would know who to believe and Britain's economic policy would lack credibility. In the final analysis, he could not accept an alternative source of economic policy in the Prime Minister's office.

Now that both Mr Lawson and Sir Alan have gone, the big question is whether underlying differences on policy will remain between Numbers 10 and 11 Downing Street.

The short answer is that we do not know. The first brief statement from the new Chancellor on Thursday night

## LETTERS

### A crisis of credibility\*

From Professor R.P. Kinsella.

Sir, The present crisis in macro-economic policy is one of credibility. Assertions and "signals" are no substitute for a rational policy; one in which the financial markets believe and which takes full account of long-term UK financial and trade interests within the European Community. A decision to join the ERM (exchange rate mechanism) — to drop the Madrid preconditions — is essential to restore credibility and safeguard the supply side gains of recent years.

Control of inflation is the Government's main policy goal. The UK's inflation performance is markedly inferior to that of the EC as a whole. It is mistaken to believe that "autonomy" in monetary policy outside of the ERM provides an effective basis for bringing down the rate of inflation. The fact is that it has failed so far.

Mr Nigel Lawson, the former Chancellor, allowed himself to be manoeuvred into a sole reliance on high interest rates to bring down inflation. Such an approach, using one policy weapon directed towards internal and external policy objectives — is inherently flawed. If reduction in inflation really is the objective, the alternative is to join the ERM now.

A credible exchange rate regime — and certainty is what exporters and financial markets want above all else — would concentrate the minds and change the expectations of employers, leading to moderation in demand. This would allow some easing of interest rates which are pressing hard on the traded goods sector and which, if continued, threaten to replicate the erosion of the manufacturing sector which characterised the late 1970s and early 1980s.

It borders on the wilful to jeopardise the supply side of the economy in order to dampen consumer demand. Indeed, there is a strong case for reinforcing the benefits of immediate ERM membership through a revenue-neutral increase in VAT — whose incidence bears relatively more heavily on imported goods — while at the same time providing some relief to the manufacturing sector, possibly by an offsetting reduction in national insurance contributions.

The benefits of joining the

### Profitable productivity

From Professor Patrick Minford.

Sir, Martin Wolf's surprisingly negative assessment (October 12) of the Thatcher supply side reforms makes light of the sharp upward shift in productivity growth since 1979 — 10 years of the fastest in UK history, both in manufacturing and in the whole economy, is apparently nothing to write home about.

In particular I must take Mr Wolf to task for saying that the rise in profitability still leaves us well behind the rest of the Organisation for Economic Co-operation and Development. The Department of Trade and Industry work he refers to goes

### Conservation power

From Mr Ian Thompson.

Sir, London's Battersea Power Station project is surrounded by rumour and speculation, and it is difficult sometimes to ascertain the truth. Wandsworth Council's position is quite clear, but is not stated in your article (October 13).

The council has consistently taken the view that every effort must be made to restore this listed building, if possible, to its original condition. Certain remedial measures have been agreed with the Alton group and carried out by it, to secure the weatherproofing of the architecturally important parts of the building's interior.

With the onset of winter, further protective measures will be needed. These are currently being discussed, and will if necessary be enforced.

I am grateful to Gerald Long, Borough Planner, Wandsworth Borough Council, The Town Hall, Wandsworth High Street, SW18

### Testing time for schools

From Mr Paul Scruton.

Sir, Arthur Hearden says that "it is up to the senior independent schools to make up their own minds" whether or not to take part in the UK national curriculum testing at age 14 (Letters, October 14). But will it be to their advantage to join in, as he suggests?

Proposals from the School Examinations and Assessment Council are likely to mean that, in the year of testing, the spring term will be dominated by formally recorded assessments of pupils; the summer term by carrying out nationally specified "standard assessment tasks." Independent

schools taking pupils at 13 plus will have only the antithesis of the term for obstacle-free teaching before this process begins.

Whether considering external reputation or educational benefit, independent schools may perceive a weaker case for joining in with national assessment at age 14: it may seem over-detailed and, coming just before two-year GCSE courses which do include an increasingly valued element of continuous assessment, it may seem irrelevant.

Paul Scruton,  
477 Holloway Road,  
London N7



## Edward Mortimer on the dispossessed Vietnamese History's bitter cup for the boat people

Perhaps the bitterest episode in Anglo-American relations during this century, not excepting the Second World War, was the conflict over Palestine in the 1940s. The US and Britain had just emerged as victorious allies from the struggle against Nazism. Yet within a few months Britain found itself accused by influential American voices of behaving like the Nazis themselves. This was because Ernest Bevin, the Foreign Secretary of the time, was trying desperately to head off the explosion in Palestine which, he had good reason to believe, would be the inevitable result of unrestricted Jewish immigration.

In their attempt to check the flow of illegal immigrants the British seized boatsload of Jewish refugees and interned them in camps in Cyprus. Inevitably these became "concentration camps" for the American press.

In short Britain looks in no position to join a low inflation club that is enjoying sustained economic growth.

Nevertheless, there is a strong desire for a clearer, rule based system of economic management in Britain, for some sense of fixity.

Already outside pressures for action are strong. Yesterday, Sir Leon Brittan, the EC Commissioner and former Government minister, added his voice to many in the City urging full British membership of the EMS in a matter of months.

This outside pressure will test the relationship between Mr Major and the Prime Minister. He may be able to see eye to eye with Mrs Thatcher and resolve giving any support to the idea of early entry into the ERM. In this case the Government could experience harmony at the cost of possible turbulence on financial markets.

Mr Major would also enjoy some back bench and grass root Conservative support if he let exchange rate fall in response to market pressures.

The third option would be to maintain Mr Lawson's strong sterling strategy. But if Mr Major seeks to take up the cause of the former Chancellor — a man he says he is proud to serve under — and Mrs Thatcher is seen as continuing to block ERM entry, the debate over the exchange rate mechanism will continue to dog Government policy with the next general election drawing ever nearer.

gather dissimilar. If there is any people in the world towards which Americans feel a sense of moral obligation comparable to that which they feel towards the Jews, it is the Vietnamese. In some ways this issue is even more severe. At least in 1945 the battle against Hitler and Nazism had been won. In Vietnam by contrast the Americans were defeated.

They were unable to save South Vietnam from communism, though they inflicted great damage on both parts of Vietnam in the attempt; and in the end they left their Vietnamese allies and protégés to their fate. The idea of Vietnamese people, whether technically refugees or not, being forcibly herded on to boats or planes and handed back to the mercies of the communist regime is repugnant to them. If such scenes were to appear on

**The idea of Vietnamese, refugees or not, being forcibly herded on to boats or planes is repugnant**

American TV, with people in British uniform doing the herding, an outburst of anti-British feeling in the US would be unavoidable, and the image of Mrs Thatcher — up to now so positive for most Americans — would be badly, perhaps irredeemably, tarnished.

Yet British ministers feel much as Bevin did over Palestine, that they are being put in an impossible position. At a conference in Geneva last June it was agreed that the boat people should be carefully screened to distinguish between genuine political refugees and "economic migrants."

All the participating countries agreed to take a quota of the former (the US taking 22,000 plus half the 2,000 spread over two to three years).

But neither the US nor any other country is willing to take those "screened out" as purely economic migrants. They, according to the agreement,

should "return to their country of origin."

The screening mechanism is now functioning in a manner whose objectivity is not beyond question. Of those so far screened, some have qualified as refugees. Of those "screened out" (about 3,000 so far, but likely to be nearly 40,000 when the process is finished) only 386 have so far returned voluntarily to Vietnam. Hence the conclusion of Mr John Major, in his first and last appearance as Foreign Secretary at question time in Parliament on Wednesday, that "voluntary returns cannot provide the comprehensive solution that is necessary" and that therefore "it is soon going to be necessary to tackle the very thorny question of involuntary repatriation."

The US view is that it is too soon to reach such a conclusion. US officials claim to believe that, given more time, the staff put in by UN High Commissioner for Refugees will be more successful in persuading those screened out to return voluntarily. This is "phase one" of the process agreed at Geneva, and the US does not agree that it is yet time to move into the second phase, in which "additional measures" — a euphemism for compulsory repatriation — would be taken.

The US says that Hong Kong is not alone in facing the problem — countries such as Thailand and Malaysia are holding larger numbers of Vietnamese migrants — and it contests the right of Britain or any other signatory of the agreement to proceed to phase two unilaterally. "Additional measures," in the US view, could only be taken by further agreement, after discussion in the steering committee set up by the Geneva conference — a body which meets every two months.

British officials, grappling with the tension in the over-crowded camps in Hong Kong and between their inhabitants and the local population, do not believe that this leisurely approach will be tenable. Mr Douglas Hurd, the incoming Foreign Secretary, may soon have to choose between an explosion in Hong Kong and a serious crisis in Anglo-American relations.

### ADVERTISEMENT

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| Maximiser To rate         | 10.25                       | 10.25        | Yearly                  | \$20,000           | 3 mths/90 day penalty                              |
| Matricred                 | 6.15                        | 6.24         | 1 yearly                | \$1                | Interest   |
| Matricred<br>No.1 Capital | 10.25                       | 10.25        | Yearly                  | \$25,000           | 3 months notice 9.50% 9.10%                        |
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| Triple Bonus              | 9.25                        | 9.25         | Yearly                  | \$25,000           | 3 months notice 9.50% 9.10%                        |
| Share Account             | 6.15                        | 6.24         | 1 yearly                | \$1                | Interest   |
| O'zone 36 Months Cap      | 10.05                       | 10.25        | 1 yearly                | \$20,000           | 1st. acc/ Bonus for no withdrawls                  |
| 1 Year Term Bond          | 9.45                        | 9.45         | 1 yearly                | \$20,000           | 1st. acc/ Bonus for no withdrawls                  |
| Fed Rate 215 yrs          |                             |              |                         |                    |  |

## UK COMPANY NEWS

# Polly Peck buys control of Sansui

By Ian Rodger in Tokyo

MR ASIL Nadir, chairman of Polly Peck International, was the toast of the Japanese establishment yesterday after announcing that his UK-based electronics and fresh produce group would buy a 51 per cent stake in Sansui, the troubled minor Japanese audio group, for Y15.6bn (98.4m).

Japan has come under increasing foreign criticism over its institutional and cultural barriers to acquisitions at a time when Japanese companies have been rushing to buy foreign companies.

Polly Peck is only the third foreign entity to take control of a quoted Japanese company. All three have been friendly deals. In 1982 BOC Group, the UK industrial gases company, gained control of Osaka Samsa, a gases company, and the following year the US drugs group Merck bought control of Banyu Pharmaceutical.

"This deal demonstrates that Japanese financial markets are open," said Mr Hikaru Matsunaga, minister of international trade and industry. Mr Ryutaro Hashimoto, finance minister, added: "Japanese companies' investments in foreign firms are accepted and the reverse should also be accepted as long as they are friendly deals."

The purchase was front page

news in Japan's leading newspapers and topped yesterday's television news programmes. Mr Nadir did not try to underestimate the significance: "Today is almost an historic landmark in the relationship between Japan and other trading nations. The myths that Japan is not open to companies from foreign countries have been demolished at a stroke."

However, as in some previous cases, it appears that his bid came only after it became obvious that no Japanese companies were interested.

Mr Ryosuke Ito, who will stay on as Sansui chairman, confirmed that it had sought help from "many people" in recent months. Specialising only in audio equipment, Sansui has been unable to match larger competitors' efforts to stay competitive since the revaluation of the yen four years ago.

Sales have tumbled from Y35.6bn in 1986 to an estimated Y26bn in the current year to October 31. Mr Ito said the company would probably incur a loss of Y6.4bn in the current year, bringing its cumulative deficit to Y12.8bn.

The terms of the deal are not easy for other Sansui shareholders. Polly Peck is to be issued new shares for Y400,



Asil Nadir (left) and Ryosuke Ito at the Tokyo Stock Exchange

roughly one third of their quoted value. Its consumer electronics subsidiary, Capetronic, was looking to acquire a well-known brand name as well as a base in Japan. Sansui's licence from Victor Corporation of Japan (JVC) to make video cassette recorders was also of interest.

Despite the inevitable pledges of mutual respect, a shake-up is imminent. A senior Toshiba consumer electronics executive has been recruited as chief operating officer and some production will be shifted to Polly Peck factories in Taiwan, Turkey and Malaysia.

See Lex

## Support weakens for three AFI dissidents

By Andrew Hill

INSTITUTIONAL support for three dissenting shareholders in Amalgamated Financial Investments could have been weakened by last week's sale of a large stake to an unknown buyer or buyers.

Mr Richard Wollenberg, Mr Rupert Pearce Gould and Mr Colin Weinberg are attempting to join the AFI board at a special meeting after the investment company's annual general meeting next month.

But Target Trust Managers, the unit trust group owned by Trustee Savings Bank, has sold its 7.7 per cent holding, which would probably have been cast in favour of the dissidents.

A similar attempt failed in August, after motions for the

three shareholders' election were declared invalid by AFI's chairman. The trio said then that about 48 per cent of the group's shares would have been cast in their favour.

Target, which has been making its exposure to smaller companies confirmed yesterday that it sold the shares last week, but said it did not know the identity of the buyer, or whether it was a single investor.

The buyer or buyers are thought to have paid 24p a share, compared with last Friday's closing price of 23.4p and yesterday's closing price of 22.4p, down 4p. If the shares were bought by a single investor, the purchase should have been declared by yesterday.

## Increased losses of £1.69m for Radamec

By Peter Pearce

PROBLEMS which beset Radamec Defence Systems in 1988 have continued to affect profitability adversely at Radamec Group in the first half of 1989. The control systems manufacturer fell sharply from pre-tax profits of £515,000 last time to a loss of £1.6m. The shares closed down 3p at 37p.

However, Mr Leonard Whittaker, chairman and chief executive, said that the company "had pulled out of its rough period", that there was now a positive cashflow and that more than £3m of orders had recently been won.

In 1988, when profits fell to £430,000 (£1.85m), an RDS contract - a substantial order for Gunfire Control Systems - was lost at the last minute "for

good, sound, commercial reasons" to a US company, said Mr Whittaker. This time an overseas defence contract for the design and manufacture of high-grade cameras with Lenzar, a small Florida-based lens maker, was proving problematic. As a result Radamec has made a full provision against amounts receivable of £209,000, increasing the losses total.

Mr Whittaker said that poor trading conditions in defence business worldwide had hit RDS, which made a loss, though all the group's other businesses had operated profitably. However, with interest charges of £360,000, operating losses were £277,000 on turnover of £4.99m (£6.78m). The interim dividend is omitted.

In 1988, when profits fell to

£430,000 (£1.85m), an RDS contract - a substantial order for Gunfire Control Systems - was lost at the last minute "for

## Mt Charlotte £100m placing

By Andrew Bolger

MOUNT CHARLOTTE Investments, the hotel group, has placed a second £100m tranche of 10.75 per cent first mortgage debenture stock 2014. The stock was placed at 98.06 per £100 nominal, for a gross redemption yield of 11.35 per cent.

Applications for Mount Charlotte's £15m rights issue of ordinary shares, launched on September 22, close on November 13. It will be the second largest rights issue of ordinary shares to close after the mid-month slide in share prices. From 80p on the day the issue was announced, Mount Charlotte shares have fallen to 70p, 2p below the offer price.

## Star Computer shares fluctuate wildly

By Andrew Bolger

SHARES IN Star Computer Group fluctuated wildly yesterday after it announced pre-tax losses of £230,000 on turnover of £14m in the year to June 30.

The shares plunged from 50p to 25p then bounced as high as 60p before drifting back down to 53p, unchanged on the day.

Marketmakers said trading volume had been low and no buyers had built a significant stake in the company, which sells computer equipment and software. Star's joint chairmen, Mr D Blechner and Mr Jack Schumann, between them control

trol 54 per cent of the equity. Star, which reported pre-tax profits of £464,000 in the six months to December 31, blamed its "very poor" results on problems which emerged in two areas of its business.

Connect Data, its cabling subsidiary, suffered substantial losses after it bought GDC, a Reading company also involved in the installation of data cabling systems in offices, in August 1988.

Star also said that its commercial systems business lost a lot of orders following the takeover of the division's main hardware supplier, Convergent

Suppliers, by Unisys. The figures include a stock write-down of £833,000, of which £199,000 was shown as an extraordinary loss.

In addition to these problems, Star said it had borne the substantial costs of moving its operations from the City to Watford, which it said would lead to significant savings in the future.

No dividend was recommended. Losses per share was 11.7p, compared with earnings of 11.3p last year. In the year to June 1988, Star made pre-tax losses of £1.21m on turnover of £12.8m.

### NEWS DIGEST

the company's prospects, they were recommending a same again 1.1p final payment for a maintained 2p total.

### Higher interest eats into Delvin profits

Higher interest payments resulting from the purchase of new equipment left taxable profits at Delvin Packaging for the six months to July 30 lower than £1.4m, against £2.05m, against £249,000. Mr Paul Norman, chairman, said that there had been difficulties in the early part of the year that had been resolved.

Turnover was £21m higher at £2.08m for operating profit of £220,000 (£261,000). The interest charge was £215,000 (£24,000). After tax of £112,000 (£136,000), earnings per share fell to 2.42p (3.18p).

The interim dividend is maintained at 0.45p.

### Tanjong Tin rises sharply

Profits before tax of Tanjong Tin Dredging rose from £5.814 to £70.481 from a turnover of £76.881 higher at £91.025 for the six months ended June 30.

An extraordinary charge of £29,948 represented legal fees incurred for the proposed acquisition of assets which did not materialise and for general legal advice including the re-convening of the annual meeting for 1989.

### British Assets nav 13.5% ahead

British Assets Trust had a net asset value per share of 95.3p at September 30, an increase of 13.5 per cent over the 84.8p a year earlier.

A final quarterly dividend of 0.875p (0.70p) is recommended, for a total of 3.3p (2.7p). That exceeds the 3.25p forecast made at the time of the £150m equities index unsecured loan stock issue in April.

### Turnover fell slightly but operating losses were £222,000 (profit £127,000). In addition an exceptional £258,000 (nil) debit related to the redundancy costs incurred as part of the rationalisation programme.

A tax credit of £527,000 (£11m) left earnings per 20p share at 0.16p (0.09p).

### Walker Greenbank sales accrue £14.6m

Walker Greenbank, the one-time mini-conglomerate, is to sell its automotive car washing subsidiary Wilcomatic to a company headed by management for £14.5m in cash. The group, now concentrating on

its wallcoverings business, will also sell McKendrick & Ware, its carpet cutting subsidiary, to management for £50,000. Other subsidiaries are under review.

Walker made £3.27m before tax in the six months to July 29, up 11 per cent on £2.95m in the equivalent period. The results were held back by the increased cost of borrowings which pushed up interest charges to £1.49m, against £588,000.

Mr Nicholas Brown, Walker's chairman and chief executive, said the sale of the two subsidiaries would reduce gearing to below 20 per cent. Walker will receive £11m in cash for Wilcomatic and a further £2.5m to repay inter-company debt.

Turnover in the first half was up from £25.7m to £25.4m, earnings per share from 2.38p to 2.43p and the company maintained its interim dividend at 1p.

Analysts are forecasting pre-tax profits of some £2m for the full year.

In 1988, Walker's profits were more than halved to 3.04m, after Alkar, a supermarket shelving company, incurred a loss of £2.5m.

This result was published in later editions yesterday.

### Craig & Rose rises 11% to £40,000

Craig & Rose, the manufacturer of paint and varnish and supplier of all types of wallcoverings, lifted pre-tax profits 11 per cent from £36,000 to £40,000 in the first six months of 1989.

Turnover rose to £2.69m (£2.45m) and earnings to 7.45p (6.75p) per share. The interim dividend is maintained at 2p.

The company said that export sales and profitability continued to be affected by exchange currency fluctuations, while domestic trade continued to develop. The costs of raw materials were continuing to rise and, due to severe

## Founder of TVS offshoot MTM quits

By Jane Fuller and Clay Harris

TVS ENTERTAINMENT, one of the UK's largest ITV companies, yesterday announced the resignation of Mr Arthur Price, president and chief executive of MTM Enterprises, its loss-making television production subsidiary.

It was not clear last night whether Mr Price had left of his own accord or had been asked to go. As recently as Wednesday night, Mr James Gatward, TVS chief executive, denied that Mr Price had been dismissed and said he stood by his September statement: "I will do nothing to damage the fabric of the company and Arthur Price is part of that fabric."

Mr Price had founded the company, famous for its roaring kitten logo and TV series such as Hill Street Blues and St Elsewhere, in 1983 with Mary Tyler Moore and Grant Tinker. He joined the TVS board when it bought MTM for £190.5m in August 1988.

In a statement yesterday, Mr Price said the time had come for a change and he was looking forward to new opportunities.

Mr Gatward said senior executives at MTM regretted Mr Price's departure, which was announced one day after a meeting between TVS and its US banks. On Wednesday night, after what he described as a "rehearsal" for the next day's session, Mr Gatward said the meeting would be a routine annual presentation.

Mr Gatward, who has been making frequent trips to Los Angeles, is taking on responsibility for running MTM, which is expected to make a loss of £45m (£28m) for the year which ends next Tuesday.

MTM's losses had arisen from a series of difficulties in the US market. TVS said. Despite efforts being made to turn MTM round, it was not expected to break even for another 18 months.

At the programme making unit, MTM has been told to cut costs. The limit being placed on the deficit between the cost of making a programme and the price obtained for it from a TV network had been reduced to £150,000 for a half-hour show and £200,000 for a one-hour show.

The company starts to make money on a programme three years after the network deal, through selling it on to smaller stations. But TVS had said this secondary market had "fallen apart".

Deregulation had led to a proliferation of small stations chasing a limited amount of advertising revenue. They had started to jilt at paying the higher price of quality programmes, particularly the hour-long ones which were also more difficult to schedule.

AL Dunn, which makes aluminium castings and components, continued the strong development seen at the end of the previous year with higher sales accompanied by lower-than-budgeted overheads.

Coventry Apex, castings machinist, was affected by start-up costs on a new contract but these had been overcome.

In the present period the engineering companies continued to trade satisfactorily but Mr Maxwell warned that they were dependent on the continuation of a high level of activity in the motor industry.

They added that the next 12 months, particularly the second six, should show a significant turnaround and that first indications from the promotional programme were encouraging.

Analysts are forecasting pre-tax profits of some £2m for the full year.

In 1988, Walker's profits were more than halved to 3.04m, after Alkar, a supermarket shelving company, incurred a loss of £2.5m.

This result was published in later editions yesterday.

### Lanca hit by interest costs

A £100,000 rise in interest charges together with the need to carry higher stocks to service customers' anticipated purchases cut profits of Lancashire by £212,000 to £216,000 pre-tax for the first six months of 1989.

Some loss of volume was experienced by both the fashion wear and handbag divisions but character merchandise showed sales gains and was beginning to benefit from the newly-acquired Hayfax range.

The second half was being affected by continuing high interest rates and conditions in the high street, with the important Christmas trade running later than in recent years.

First half turnover declined to £6.67m (£6.37m). Basic earnings emerged at 1.94p (1.55p) but the interim dividend is being maintained at 0.75p in view of the directors' outlook for 1990.

The company is aiming to reach a modified expectation of £1.3m. It is just as well that margins in the UK are on the up, because in the UK it will be difficult to pass on cost increases, say in raw materials or wages, to retailers competing more fiercely on price.

## US gives clearance for GM to start buying Jaguar shares

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS, the world's biggest car maker, has been given clearance by the US anti-trust authorities to commence buying shares in Jaguar, the UK luxury car maker, strengthening the likelihood of an all-out bidding contest with Ford, its arch rival.

Ford, which has made a hostile approach to Jaguar, said yesterday that it had increased its holding in the company to 13.2 per cent (24.25m shares).

It is believed to have spent around £170m for its present stake.

Jaguar has since announced

## MARKET STATISTICS

## ECONOMIC DIARY

**TODAY:** African National Congress held rally in Soweto. US factory orders (September). US construction spending (September). Labour Party says it will not renege on its manifesto. National Economic Development Council makes statement following meeting chaired by Mr Norman Fowler, Employment Secretary. Gostling, the Soviet statistician, is invited to the Soviet statistical institute to introduce a new "special rate" for the Russian currency which will involve a 10 per cent devaluation; the new rate is to apply to all personal transactions for both Soviet and non-Soviet citizens. Soviet standing committee commission begins 38th session in Geneva to review anti-bi-missile treaty. Mr Guy Coeze, Belgian Defence Minister, visits Britain. The EEC aimed at creating better understanding between Nato and the Warsaw Pact and promoting East-West dialogue (until November 4). Reed International interim figures.

**THURSDAY:** US leading indicators (September), commerce. US single family home sales (September), commerce. Financial Times holds "Climax" at Plaisterers Hall in the City. Special session of the Hungarian parliament in Budapest to decide on the final suspension of Nagymaros dam being built in conjunction with Austria and Czechoslovakia. Manufacturing intermediate figures. NatWest/British Franchise Association publish annual survey. Mr Harri Holkeri, Prime Minister of Finland, visits London (until November 3).

**WEDNESDAY:** Advance energy statistics (September). Overseas cultural council in Stois.

## BANK RETURN

|                                 | BANKING DEPARTMENT          |   |                               |   |
|---------------------------------|-----------------------------|---|-------------------------------|---|
|                                 | Wednesday, October 25, 1989 |   | Increase or decrease for week |   |
| LIABILITIES                     |                             | £ |                               | £ |
| Capital                         | 14,220,000                  |   |                               |   |
| Public Deposits                 | 412,322,190                 | + | 335,853,783                   |   |
| Bankers Deposits                | 1,464,763,750               | - | 1,311,424,770                 |   |
| Reserve and other Accounts      | 2,284,045,697               | - | 38,101,355                    |   |
|                                 | 4,175,860,847               | + | 168,410,857                   |   |
| ASSETS                          |                             |   |                               |   |
| Government Securities           | 1,729,516,634               | - | 105,221,000                   |   |
| Advances and other Accounts     | 1,451,811,121               | - | 1,380,000                     |   |
| Premises Equipment & other Secs | 9,733,527                   | + | 5,432,672                     |   |
| Coin                            | 187,070                     |   | 27,655                        |   |
|                                 | 4,175,860,847               | + | 168,410,857                   |   |
| ISSUE DEPARTMENT                |                             |   |                               |   |
| LIABILITIES                     |                             |   |                               |   |
| Notes in circulation            | 15,020,266,463              | + | 34,987,328                    |   |
| Notes in Banking Department     | 9,733,527                   | - | 5,432,672                     |   |
|                                 | 15,030,000,000              | + | 40,000,000                    |   |
| ASSETS                          |                             |   |                               |   |
| Government Debt                 | 11,015,100                  |   |                               |   |
| Other Government Securities     | 12,321,462,754              | - | 388,508,813                   |   |
| Other Securities                | 2,897,355,146               | + | 438,508,813                   |   |
|                                 | 15,030,000,000              | + | 40,000,000                    |   |

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

## GRANVILLE SPONSORED SECURITIES

| High/Low  | Company                        | Price  | Change | Gross div (c) | Yield % | P/E  |
|-----------|--------------------------------|--------|--------|---------------|---------|------|
| 343 - 29  | Am. Art. Dist. Ordinary        | 326    | 0      | 10.3          | 3.1     | 9.1  |
| 29 - 28   | Armstrong and Rhodes           | 29     | 0      | 10.3          | 3.4     | 12.4 |
| 210 - 190 | Barclays Group (GSD)           | 159    | -4     | 4.3           | 2.7     | 15.3 |
| 125 - 105 | Barclay Group Co. Prof. (ISD)  | 103.5d | -1     | 6.7           | 6.5     | --   |
| 123 - 79  | Bry Technologies               | 79     | -1     | 5.0           | 7.5     | 7.0  |
| 110 - 105 | Brown & Root                   | 105    | 0      | 11.0          | 10.6    | 15.0 |
| 205 - 185 | Brownhill 81% New C.C.R.P. Ltd | 204    | 0      | 11.0          | 10.6    | 15.0 |
| 305 - 280 | CCL Group Ordinary             | 294    | 0      | 14.7          | 5.1     | 3.6  |
| 176 - 168 | CCL Group 11% Conv. Prof       | 171    | 0      | 14.7          | 8.6     | 12.4 |
| 225 - 190 | Carbo Pte (GSD)                | 210    | 0      | 7.4           | 3.6     | 12.4 |
| 110 - 109 | Carbo Pte Prof (ISD)           | 110    | 0      | 10.3          | 9.4     | 12.4 |
| 75 - 72   | Carbo Pte Prof A Conv. Prof    | 72     | 0      | 10.3          | 9.4     | 12.4 |
| 130 - 119 | Magnat Corp-Vesting B Conv.    | 87.5d  | 0      | 8.0           | 6.6     | 7.8  |
| 165 - 58  | Jackson Group (GSD)            | 107    | -1     | 3.6           | 3.3     | 12.4 |
| 222 - 261 | Mid/House NV (AngeSE)          | 295    | 0      | 10.0          | 6.6     | 5.7  |
| 167 - 165 | Mount Jeakins                  | 157    | 0      | 10.0          | 6.6     | 10.0 |
| 300 - 270 | Torday & Carlisle              | 298    | 0      | 9.3           | 3.1     | 10.4 |
| 117 - 105 | Torday & Carlisle Conv Prof    | 110    | 0      | 10.7          | 9.7     | 1.1  |
| 350 - 330 | Torday Holdings (LSDM)         | 350    | 0      | 2.7           | 2.4     | 8.7  |
| 150 - 165 | Unilever Group Div. Co. Ltd    | 246    | 0      | 22.0          | 6.0     | 9.4  |
| 350 - 330 | Unilever Group Div. Co. Ltd    | 327    | 0      | 16.2          | 5.0     | 27.3 |

Securities denominated in GSD and US\$SD are dealt in subject to the rules and regulations of the EEA. Other securities listed above are dealt in subject to the rules of TSD.

These securities are dealt in strictly on a matched basis basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities.

\* These securities are dealt on a restricted basis. Further details available.

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## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| EQUITY GROUPS                    |         | Friday October 27 1989 |              |                |                | The 25   |          | Wed 26    |           | Tue 24    |           | Year ago (approx.) |          | Highs and Lows Index |          |                 |
|----------------------------------|---------|------------------------|--------------|----------------|----------------|----------|----------|-----------|-----------|-----------|-----------|--------------------|----------|----------------------|----------|-----------------|
| & SUB-SECTIONS                   |         | Index No.              | Day's Change | Ex-div Yield % | Ex-div Yield % | Ex-Ratio | Ex-Ratio | Index No. | Index No. | Index No. | Index No. | High 1989          | Low 1989 | High 1989            | Low 1989 | Since Compil.   |
| 1 CAPITAL GROUP (GSD)            | 636.89  | -2.5                   | 12.99        | 5.67           | 9.22           | 27.02    | 27.02    | 537.83    | 544.48    | 545.94    | 523.93    | 181.07             | 181.07   | 147.87               | 147.87   | 54.72 13/2/74   |
| 2 Building Materials (GSD)       | 972.11  | -3.6                   | 16.23        | 7.70           | 35.76          | 102.47   | 102.47   | 1262.74   | 1262.74   | 1262.74   | 1262.74   | 199.06             | 199.06   | 147.87               | 147.87   | 44.22 11/2/74   |
| 3 Contractile, Construction (G)  | 1368.13 | -3.0                   | 18.49        | 5.90           | 51.75          | 1346.71  | 1346.71  | 1371.61   | 1374.37   | 1371.61   | 1371.61   | 195.50             | 195.50   | 167.87               | 167.87   | 71.48 2/12/74   |
| 4 Electronics (ILO)              | 2415.40 | -2.3                   | 11.43        | 5.34           | 68.70          | 2427.04  | 2427.04  | 2594.64   | 2594.64   | 2594.64   | 2594.64   | 2294.38            | 2294.38  | 219.87               | 219.87   | 84.71 25/6/62   |
| 5 Electronics (G)                | 1072.26 | -2.6                   | 9.65         | 3.92           | 13.68          | 1072.89  | 1072.89  | 1072.89   | 1072.89   | 1072.89   | 1072.89   | 1776.44            | 1776.44  | 1765.22              | 1765.22  | 1222.81 8/10/85 |
| 6 Mechanical Engineering (G)     | 451.26  | -1.9                   | 12.99        | 4.92           | 24.88          | 466.85   | 466.85   | 467.76    | 467.76    | 467.76    | 467.76    | 406.34             | 406.34   | 31.71                | 31.71    | 295.47 28/5/82  |
| 7 Motor Vehicles (G)             | 341.78  | -2.4                   | 11.43        | 5.67           | 18.09          | 341.57   | 341.57   | 352.43    | 352.43    | 352.43    | 352.43    | 258.24             | 258.24   | 213.82               | 213.82   | 144.75 12/1/82  |
| 8 Other Industrial Materials (G) | 1547.81 | -2.8                   | 18.45        | 4.84           | 11.68          | 1511.93  | 1511.93  | 1615.76   | 1614.43   | 1614.43   | 1614.43   | 1511.43            | 1511.43  | 141.82               | 141.82   | 191.91 6/1/75   |
| 9 Other Industrial Materials (G) | 1187.71 | -2.1                   | 9.27         | 3.75           | 12.91          | 1227.77  | 1227.77  | 1222.42   | 1222.42   | 1222.42</ |           |                    |          |                      |          |                 |

## INTERNATIONAL COMPANIES AND FINANCE

### Improved computer sales lift NEC

By Stefan Wagstyl in Tokyo

NEC, one of Japan's largest electronics groups, yesterday reported a 13.6 per cent increase in interim profits to Y47.2bn (\$333m), an increasing sales of computers and semiconductors offset a decline in sales of telecommunications equipment.

Sales in the six months to the end of September rose 7.4 per cent to Y1.255bn. Turnover in computers rose 11 per cent to Y55.5bn, and in electronic devices (semiconductors) by 12.7 per cent to Y23.8bn.

Domestic demand for computers, including personal computers, was strong. Semi-

conductors sold well at home and abroad.

In telecommunications, sales dropped 6.6 per cent to Y37.1bn due to decline in demand for transmission equipment from Nippon Telegraph & Telephone after a surge last year. However, orders for exchanges and for radio telephones, a fast-growing market, improved.

In consumer appliances, sales rose a modest 3.7 per cent to Y55.5bn, after a large drop last year, but demand remained sluggish, said the company.

For the year to March 1990, NEC forecasts sales of

Y2.740bn, a 7.8 per cent increase, and pre-tax profits of Y130bn, up 6 per cent. NEC was reporting parent company figures.

• Sharp, the Japanese electronics group, increased sales in the six months to the end of September by 8.9 per cent to Y51.8bn, due to a strong increase in sales of information equipment and semiconduc-

tors. Pre-tax profits rose 37 per cent to Y31.5bn, thanks to a 130 per cent leap in operating profits to Y22.5bn. This cut the company's reliance on profits from Zaitech, or financial

investment. For the year, the company expects profits of Y70bn and sales of Y1.060bn.

• Nikon, the Japanese maker of cameras and semiconductor manufacturing equipment, reported a 7.1 per cent increase in pre-tax profits to Y12.1bn for the parent company for the six months to the end of September.

Sales were 20 per cent higher, at Y122bn. For the full year, Nikon forecasts sales of Y240bn and profits of Y22bn. The company is profiting from the investment surge in Japanese semiconductor factories.

### Acquisitive Orkem to buy Bostik for \$345m

By William Dawkins in Paris

**ORKEM**, the French state-owned chemicals producer, revealed yesterday that it is to pay \$345m for Bostik, the US adhesives and sealants group.

This is the second big takeover planned by the French company this week, following its announcement that it is considering a full bid for Coates Brothers, the British inks and resins producer in which it already holds a 40.6 per cent stake.

The two deals would cost Orkem — formerly known as CDF Chimie — around \$370m at Coates' present share price. That compares with Orkem's borrowings of FF2.7bn (\$432m), 56 per cent of its shareholders' funds. However, the French company would make no further comment on the financing of the Bostik acquisition.

Bostik, a subsidiary of Black

### Montedison to buy minor holdings in drugs unit

By John Wyles in Rome

**MONTEDISON**, the Italian chemicals and pharmaceuticals company controlled by Mr Raul Gardini's Ferruzzi group, announced yesterday that it had reached a \$450m agreement to acquire the minority shareholdings of its pharmaceuticals subsidiary, Erbamont.

Minority shareholders are to receive \$37 a share in cash, instead of the \$35 with a \$2 warrant on Montedison stock offered by Montedison at the beginning of August. Since the regulations of the Dutch Antilles, where Erbamont is incorporated, do not provide for merger transactions, the tender offer to minority shareholders will be followed by the sale of Erbamont assets to Montedison, after which Erba-

mont will be liquidated.

Thus, any public shareholders whose shares are not tendered in the public offer will receive a liquidating payment of \$37 a share. The agreement negotiated with representatives of minority holders also provides for an additional pro rata payment if, within the next 18 months, Montedison disposes of Erbamont's business at a price above \$37 a share.

Montedison added yesterday that it had also agreed in principle to settle outstanding shareholder lawsuits relating to its ownership of Erbamont.

Mr Giuseppe Garofano, vice president of Montedison, said last night that the Italian company wanted full control so as to have greater flexibility in

developing Erbamont's business and to optimise financial returns for Montedison shareholders. He said his company was not negotiating to sell Erbamont and that it intended to develop Erbamont's specialisation in drugs for the circulatory and nervous systems.

He added that parallel negotiations on Montedison's \$300m offer for the 19 per cent of Himont stock in minority hands were at deadlock because of a disagreement over price. Montedison had offered \$47 a share plus a \$2 warrant on its stock, but minority shareholders in the polypropylene manufacturer "wanted more," said Mr Garofano. "We shall have to think deeply about what we are going to do," he added.

### Restructure puts Unisys in the red

By Martin Dickson

**UNISYS**, the computer systems manufacturer, yesterday reported a third-quarter net loss of \$46.8m resulting from its large restructuring programme, the weakness of the computer market and contract losses in its defence business.

The company had announced that it would be cutting its workforce by about 8,000 and consolidating its manufacturing capacity to slash its costs by about \$500m. But until yesterday it had not spelled out the price of the cut-back.

The third-quarter loss compares to net income of \$15m in the same period of last year, while the fully diluted loss per share of \$4.25 compared to earnings of 72 cents in 1988.

Revenues for the quarter totalled \$2.35bn, up 4 per cent, with strong computer business growth being partly offset by a decline in defence business.

The company said the pre-tax cost of its restructuring programme was about \$230m. But it also announced costs of \$150m for estimated losses on fixed price defence contracts and litigation liabilities.

Mr Michael Blumenthal, chairman of Unisys, said the company's restructuring would enhance profitability and cash flow in 1990. "With a lower break-even point, we are aiming to earn adequate revenues even if revenue growth remains sluggish and the pricing environment remains difficult."

For the nine months, the net loss was \$67.3m, or \$4.75 a share, against net income of \$46.8m or \$4.25 a share in the same period of 1988.

### Munich Re in discount issue

By Haig Simonian in Frankfurt

**MUNCHENER Rückversicherung** (Munich Re), the world's biggest reinsurance company, is raising almost DM163m (\$89m) via a one-for-10 deep discount rights issue, creating 650,000 new shares.

The company, which will report its figures for 1988/89 at the end of next week, also confirmed an unchanged dividend of DM10 a share.

The new issue continues the company's policy of rewarding shareholders via a mixture of periodic dividend rises or deep discount rights issues. In this case, shareholders will be able to buy new shares at DM250 each, against a closing price of DM2,155 on Thursday.

No direct comparison with previous periods could be made because the company is changing its year-end from November to March.

For the full year to the end of March, Shiseido forecasts sales of Y31.8bn and pre-tax profits of Y27.6bn. This compares with sales of Y34bn and profits of Y24.7bn in the year to November 1988.

### Shiseido sales hit by tax changes

By Stefan Wagstyl

**SHISEIDO**, Japan's largest cosmetics maker, yesterday reported parent company sales of Y160bn (\$1.2bn) and pre-tax profits of Y13.5bn for the six months to the end of September.

The company said the value of sales was hit by the abolition of luxury taxes and the introduction in April of a consumption tax.

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For the full year to the end of March, Shiseido forecasts sales of Y31.8bn and pre-tax profits of Y27.6bn. This compares with sales of Y34bn and profits of Y24.7bn in the year to November 1988.

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## AMERICA

## Programme trading wave routs an attempt to rally

## Wall Street

SUSTAINED anxiety about the outlook for economic growth and corporate profits pushed stocks into retreat yesterday for the fifth day in a row, writes James Buckham writes in New York.

An unconvincing attempt to stage a rally was easily routed yesterday morning by a brutal wave of programme trading and by mid-session the market was as disheartened and ragged as at any time during the week. At 1.30 pm the Dow Jones Industrial Average was down 22.95 to 2,590.78.

The stock market fear infected the foreign exchange and credit markets, which in turn further unsettled stocks. The dollar weakened against the D-Mark and the yen, trading at about DM1.828 and Y141.5 at mid-session as against DM1.841 and Y142.8 in late trading in New York on Thursday.

The dollar was stronger against sterling, at \$1.578 to the pound at mid-session, but there were reports of strong intervention by the Federal Reserve to relieve the pressure on the pound since the resigna-

tion on Thursday of the Chancellor of the Exchequer, Mr Nigel Lawson.

The bond market was unnerved by reports that a Japanese brokerage house which had been buying heavily was reducing its holdings.

Half-way through the day, the Treasury Bond Fund was off almost half a point, at 102.4, where it yielded 7.92%.

Stocks fell at the outset, with investors troubled by reports on Thursday of rising manufacturing inventories, and dismayed by poor profits from the motor industry.

Analysts had expected the market to try to make a stand at 2,600 on the Dow. There was a flicker of a rally but investors continued to sell and soon after 11 am a heavy wave of computerized stock sales, linked to arbitrage with the futures market, sent the Dow tumbling and drove buyers away. With traditional investors out of the market, programme trading has become dominant and this is causing growing resentment at some Wall Street firms.

In the sell-off, the market continued to dump the stocks that did best in the recent rally. Merck fell 1.3% to 76.5%. Analysts had expected the market to try to make a stand at 2,600 on the Dow. There was a flicker of a rally but investors continued to sell and soon after 11 am a heavy wave of computerized stock sales, linked to arbitrage with the futures market, sent the Dow tumbling and drove buyers away. With traditional investors out of the market, programme trading has become dominant and this is causing growing resentment at some Wall Street firms.

The gold index rose 20.34 to 6,483.10, eclipsing its 1986 high of 6,470.8. The composite index lost 8.2 to 3,378.1 on volume of 17.1 mln shares.

## Canada

IN SPITE of investor interest in advancing gold stocks, stocks eased at midday. Investors were moving towards gold issues following recent market volatility, currency fluctuations, junk bond jitters and continued fears of third-world debt.

The gold index rose 20.34 to 6,483.10, eclipsing its 1986 high of 6,470.8. The composite index lost 8.2 to 3,378.1 on volume of 17.1 mln shares.

## EUROPE

## Nervous balance between risks and opportunities

THE resignation of Mr Nigel Lawson, the UK Chancellor, added to the uncertainty facing continental markets, but yesterday's losses of between 1 and 3 per cent were driven more to weakness on Wall Street, writes Our Markets Staff.

Nervousness about currency markets – with both the pound and the dollar weak – and the dangers of another global setback for equities won the day yesterday. Some brokers were quick to point to a silver lining in Mr Lawson's departure. As County NatWest WoodMac put it: "The prospects for sterling make continental markets more attractive than ever for the UK investor."

But others are questioning whether there is much progress to be made on the Continent between now and the end of the year. "The main European economies are performing strongly but, quite apart from the impact of market uncertainty, the returns currently available in bond and money markets offer very attractive alternatives to equity investment," says Kleinwort Benson.

PARIS took a battering at the end of an irresolute week. Corporate developments have kept trading alive and driven some stocks up sharply, but they have failed to offset the depressing influences from across the Atlantic.

The OMF 50 Index fell steadily all day yesterday to close 14.3 points, or 2.3 per cent on the week. The CAC 40 real time index closed just off its lows at 1,763.27, down 47.22 on the day and 5 per cent on the week. Turnover yesterday was put at about FF1.25bn, after FF1.3bn on Thursday.

Peugeot was sold down heavily before publication of a 12 per cent rise in first half profits, well below analysts' estimates of about 35 per cent. The share price plunged to FF769 before steadyng to close FF150 lower at FF790 on a volume of 266,000 shares.

Thomson-CSF dropped FF14.60 to FF179.90 after

## ASIA PACIFIC

## Renewed interest rate worries rattle nerves

## Tokyo

INVESTORS lost their nerve in the face of another interest rate scare and share prices suffered a bout of broad-based profit-taking, writes Michio Nakamoto in Tokyo.

The Nikkei average reached its high for the year, of 35,742.97 several minutes after the opening, then slipped to close with a loss of 151.20 at 35,527.29 – barely changed on the week.

The day's low, reached just before the close, was 35,374.72. Declines at 701 far outstripped advances at 269 and 156 issues were unchanged.

Turnover swelled to 1.2bn from the 887m traded on Thursday. The Topix index of all listed shares declined 15.82 to 2,651.26, while in London the SSE/Nikkei 50 index rose 2.88 to 2,063.34.

Initially, the big securities firms stepped up their buying for their own account in an effort to boost activity, one market expert said. Their efforts to sustain interest in domestic demand-driven issues quickly collapsed, however, as fears of higher interest rates re-emerged with the morning announcement that the consumer price index for October rose 0.9 per cent from September.

STOCKHOLM was uncertain whether the Government could reach agreement on tax reform, investors stayed away and the Aftersvärlden General Index eased 7.3 to 1,288.1, leaving the week with a 3 per cent drop.

OSLO's declines were 1.5 per cent on the day and 5.1 per cent to 480.08 on the week.

Elkem, the metals and farm-alloys producer, fell Nkr3 to Nkr157 after a third quarter slowdown.

COPENHAGEN rose 0.71 on the day to 339.26, and declined only 0.8 per cent on the week.

## SOUTH AFRICA

GOLD SHARES closed sharply higher as the bullion price traded at about \$372 an ounce.

The JSE all-gold index gained 83 points at 1,658. The overall index was 41 points up at 2,604, but the industrial index lost one point at 2,543.

Vaal Reefs gained R16 to 337. Randfontein gained R6 to R202.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS |        |        |        |        |        |          |        |        |        | THURSDAY OCTOBER 26 1989 |        |          |        |       |      |      |      |      |     | WEDNESDAY OCTOBER 25 1989 |  |  |  |  |  |  |  |  |  | DOLLAR INDEX |  |  |  |  |  |  |  |  |  |
|-------------------------------|--------|--------|--------|--------|--------|----------|--------|--------|--------|--------------------------|--------|----------|--------|-------|------|------|------|------|-----|---------------------------|--|--|--|--|--|--|--|--|--|--------------|--|--|--|--|--|--|--|--|--|
|                               | US     | Dollar | Pound  | Day's  | Pound  | Local    | Day's  | Local  | Gross  | US                       | Pound  | Local    | Day's  | Local | 1989 | 1989 | 1989 | Year | ago |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
|                               | Dollar | Index  | Change | Change | Change | Currency | change | local  | Div.   | Dollar                   | Pound  | Currency | change | High  | Low  | High | Low  | ago  |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Australia (85)                | 149.05 | +1.2   | 137.05 | 127.05 | +1.1   | 5.20     | 146.41 | 134.67 | 125.77 | 150.41                   | 128.28 | 146.06   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Austria (19)                  | 147.24 | -0.7   | 147.24 | 153.30 | +0.0   | 1.69     | 150.32 | 147.67 | 153.30 | 153.30                   | 152.84 | 157.73   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Belgium (82)                  | 140.82 | -0.7   | 129.53 | 134.80 | -0.7   | 4.10     | 141.87 | 130.68 | 135.75 | 144.49                   | 125.58 | 129.91   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Canada (22)                   | 147.79 | -0.8   | 135.88 | 125.80 | -0.6   | 3.26     | 148.71 | 136.98 | 126.53 | 154.17                   | 124.67 | 142.58   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Denmark (36)                  | 208.22 | -0.1   | 191.45 | 203.41 | +0.1   | 1.58     | 208.48 | 192.04 | 203.17 | 219.89                   | 185.32 | 203.48   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Finland (25)                  | 124.85 | +0.1   | 114.82 | 110.91 | +0.3   | 2.25     | 124.74 | 119.74 | 119.18 | 120.12                   | 112.12 | 124.83   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| France (126)                  | 152.85 | -0.2   | 149.14 | 149.00 | -0.2   | 2.50     | 153.05 | 122.55 | 130.50 | 139.94                   | 112.57 | 107.98   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| West Germany (97)             | 113.76 | +0.3   | 88.45  | 92.95  | +0.8   | 2.21     | 98.40  | 88.80  | 92.24  | 103.84                   | 79.56  | 87.49    |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Ireland (48)                  | 113.76 | -0.4   | 104.59 | 114.03 | -0.4   | 4.98     | 114.24 | 105.23 | 114.50 | 140.33                   | 88.41  | 107.01   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Italy (97)                    | 163.84 | -1.2   | 147.88 | 157.00 | -1.0   | 2.82     | 162.78 | 149.63 | 158.68 | 168.69                   | 122.00 | 140.91   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Japan (455)                   | 187.12 | -0.1   | 173.79 | 187.65 | -0.3   | 2.61     | 187.19 | 180.32 | 187.89 | 198.73                   | 128.73 | 146.92   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Malaysia (36)                 | 197.80 | +1.2   | 197.80 | 205.15 | -0.7   | 2.59     | 198.41 | 183.68 | 205.67 | 209.22                   | 145.35 | 149.96   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Mexico (19)                   | 51.72  | -0.8   | 221.82 | 208.63 | -0.9   | 0.57     | 320.11 | 294.87 | 916.52 | 326.61                   | 153.32 | 158.88   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Netherlands (43)              | 225.17 | -0.4   | 118.00 | 119.52 | -0.5   | 4.44     | 126.67 | 116.68 | 120.13 | 131.72                   | 110.63 | 110.31   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| New Zealand (19)              | 76.97  | +1.2   | 70.77  | 68.97  | +1.2   | 5.12     | 78.07  | 70.07  | 68.19  | 88.18                    | 62.64  | 72.64    |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Norway (24)                   | 171.44 | +0.3   | 157.63 | 180.27 | +0.5   | 1.61     | 170.88 | 157.47 | 170.88 | 170.88                   | 122.22 | 142.67   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Singapore (26)                | 154.82 | -1.1   | 147.17 | 152.65 | -0.2   | 2.22     | 158.93 | 149.11 | 149.12 | 170.23                   | 124.57 | 122.67   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| South Africa (60)             | 148.33 | +0.1   | 138.47 | 127.11 | +1.0   | 4.46     | 144.54 | 133.15 | 125.88 | 125.88                   | 115.35 | 110.89   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Spain (45)                    | 176.59 | +0.0   | 145.58 | 141.05 | -0.2   | 3.74     | 158.64 | 146.32 | 141.27 | 169.75                   | 143.14 | 150.33   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| Sweden (64)                   | 87.63  | +1.1   | 80.57  | 87.36  | +0.9   | 2.05     | 176.57 | 162.64 | 167.18 | 188.94                   | 138.15 | 138.15   |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |
| United Kingdom (306)          | 140.78 | -1.2   | 129.44 | 123.44 | -1.4   | 4.70     | 14     |        |        |                          |        |          |        |       |      |      |      |      |     |                           |  |  |  |  |  |  |  |  |  |              |  |  |  |  |  |  |  |  |  |

## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talieman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535 (2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

£ Bargains at special prices. # Bargains done the previous day.

### RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted to London and dealings are not recorded in the Official List.

Acon Securities 6 Gns £151.66 £151.67 (25/10)

Beverly Enterprises 5.5 (23/10)

Boral 10.5 (23/10)

Brown & Root 1.1HKS12.55 (20/10)

City Developments S\$3.793/4.037/3.87562 (20/10)

Cooper Resources 38 (23/10)

Cogen AS0.13 (23/10)

Colgate-Palmolive 1.13 (23/10)

Futura Corp 6.2 (23/10)

Grenville Mining 0.11 (23/10)

Hilco 1.16 (23/10)

Invincible Gold NL 0.50 (23/10)

Kulim Malaysia Dkt 0.50 (23/10)

Kulim Malaysia Dkt 0.50 (23/10)

Lawlor International 12.25 (20/10)

National Electronics (Consolidated) 3.5/1.5 (20/10)

Oiltel AS0.675 (23/10)

Outer Exploration AS0.169 (23/10)

Pan American Copper Co \$310.4 (23/10)

Palabora Mining 51.3 (23/10)

Pechiney Uts Kushtamak 1.37 (25/10)

Platinum Group AS0.23 (23/10)

Prudential Group S\$3.793/4.037/3.87562 (20/10)

Southwest Gold mines AS0.05 (23/10)

Stone & Webster Inc \$31.144 (23/10)

United States Steel 1.14 (20/10)

USX 1.16 (23/10)

Victoria Petroleum AS0.149 (23/10)

By permission of the Stock Exchange Council

### Corporation and County

**Stocks** No. of bargains included

Greater London Council 84% Lst 9093 -

British City Of 101% Red Stk 2008 - E101

Tottenham Corp 2.45% Red Stk 2007 -

1.125% Red Stk 2006 -

Leeds City 0.113% Red Stk 2006 -

E116 (23/10)

Manchester City 0.115% Red Stk 2007 -

1.25% Red Stk 2006 -

Manchester Corp 3% Red Con Stk -

1.92% after - E10 (20/09)

Oldham Met Borough Council 1.125% Red Stk 2010 - E10 (20/09)

UK Public Boards

No. of bargains included

Agricultural Mortgage Corp PLC7% Deb Stk 5193 - E10 (20/09)

ASB Group 1.125% Deb Stk 1000 -

1.00% after - E100 (20/09)

Port of London Authority 6.75% Reg Stk 87.90 - E10 (20/09)

Scotsch Agric Corp 10% Deb Stk 8897 - E100 (20/09)

Commonwealth-Government

No. of bargains included

Jersey Electricity Co Ld 6% Gnd Stk 2000 - E35

Foreign Stocks, Bonds, etc-(coupons payable in London) No. of bargains included

Greece (Kingdom) Mon 4% 18/87/Assd with Accnt Card - E24 (20/09)

American (Kingdom) Mon 4% 1993 -

1.00% after - E100 (20/09)

Anglo Group PLC15% Cnd Stks 1993 (Reg E10) - E10 (20/09)

Anglo Group PLC14% Cnd Stks 2002 -

337 (20/09)

ASDA Group PLC 15% Cnd Stks 2002/Br1000/5000 - E103.45 (20/09)

B.A.T. International Finance PLC 10% Gnd Stk 1993/Br1000/5000 - E33.3 (20/09)

BOC Group PLC8% Deb 1998 -

1.00% after - E34 (20/09)

British Telecom 6.75% Reg Stk 2008 -

87.90 (20/09)

British Gas Inf Finance BV 8.5% Gnd Stk 1993/Br1000/100000 - E307.85 (20/09)

British Telecom Finance BV 7% Gnd Stks 1993/Br1000/5000 - E34.5 (20/09)

BT Group 10% Gnd Stk 2008 -

100.000 (20/09)

Chubb Group PLC 10% Gnd Stk 2008 -

100.000 (20/09)

Commonwealth-Government

No. of bargains included

Jersey Electricity Co Ld 6% Gnd Stk 2000 - E35

Bank and Discount Companies

No. of bargains included

Bank of Ireland/Governor & Co 0.7% Lst 8991 - E20

Barclays PLC4.7% - S\$0.122889/6 Lst 8991 - E20

%

Barclays Bank PLC8% Un Cap Lst 8993 - E20

12% Un Cap Lst 8993 - E20/09

Barclays Bank PLC 8% Un Cap Lst 8993 - E20/09

Barclays PLC 8% Un Cap Lst 8993 - E20/09

Barclays PLC 8% Un Cap Lst 8993 - E20/09

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Barclays PLC 8% Un Cap Lst 8993 - E20/09

## LONDON STOCK EXCHANGE

# Heavy losses in gilts and equities

THE UK securities markets suffered heavy losses in both Government bonds and ordinary shares yesterday as they struggled to assess the prospects for sterling and domestic interest rates in the face of the political storm raised by the change of Chancellor of the Exchequer in the British Government.

The pressures on the pound, although strongly resisted yesterday by the Bank of England, raised fears that either domestic interest rates may yet be forced higher again or that overseas investors may begin to sell UK securities because of currency worry.

UK government bonds fell a

| Account Dealings Dates                        |        |
|---|--------|
| First Dealings Oct 20                         | Nov 13 |
| Second Dealings Oct 22                        | Nov 9  |
| Last Dealings Oct 27                          | Nov 24 |
| Account Day Nov 8                             | Nov 24 |
| Next Day Nov 25                               | Nov 25 |
| New Year dealings take place from 6th January |        |

couple of points and failed to make good their losses, although the Bank of England was forced to intervene to buy in gilt-edged stock to support the market. Government bonds rallied slightly in the afternoon in the back of sterling's performance and some bargain hunting. However, gilts finished

just short of the day's lows, after it had become clear the Bank was not going to immediately raise interest rates above 15 per cent.

The equity market suffered a loss of nearly 50 points to close at its lowest level since April 25, but traders congratulated themselves on having avoided the worst of the nightmares confounded up overnight.

The market was marked down by the equivalent of about 50 Footsie points before the first official reading of minus 39.8, with marketmakers largely successful in warding off would-be sellers. In fact, there was some institutional buying at the lower levels, and

the market rallied successfully in modest trading. Later, as sterling steadied for a time, institutional buying of equities increased.

The Footsie reading showed the FT-SE Index down 47.3 at 1,678.5 with shares trading easier in the final hour, when the new equity Account opened in the face of a poor start by Wall Street. Sea volume of 840.8m shares, was distorted by a 150m share placing of Barbican Holdings, a gamma, or thinly-traded stock, still high by the standard of recent trading sessions.

The FT-SE has fallen by 151.8 points, or 8.8 per cent over the two week Account which

closed last night. The setback which has been triggered by worries over the economic outlook in the UK coincides with the political crisis followed news of another heavy monthly deficit on UK trade, poor trading figures from ICI and a series of losses on Wall Street. The Footsie shed 97 points over the week.

Equity traders expect the market to face further severe testing next week as the battle over sterling continues. UK funds are believed to be satisfied with the current valuation of equities, and prepared to ride out the storm - at least for the present. But overseas investors are more nervous.

## Traders narrow ICI deals

Trading in ICI, one of the market's most widely held stocks, mirrored experiences elsewhere in equities as traders reacted to the overnight developments on the UK political front. The day's first quotations saw ICI stock nearly 50 down at 1,050p with some marketmakers widening their quoted price spreads and lowering the size of bargain in which they were prepared to trade, all in an attempt to avoid the sellers. In fact, good quality buyers appeared but were unable to buy stock in useful size.

Later, when the equity market steadied, ICI staged a recovery, although much of the business was left to the handful of large marketmakers quoting 10p spreads and 25.00 share bargain sizes. Share volume in ICI, barely over 1m shares at mid-afternoon, jumped in late trading to return a final total of 5.4m.

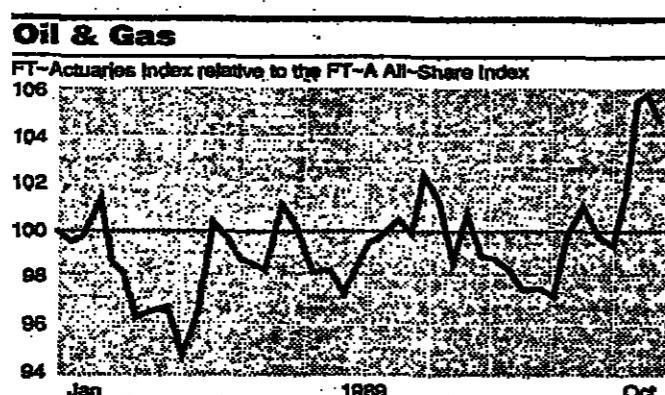
Despite continued trading with its third-quarter trading result disclosed on Thursday, and the market's reaction to the political changes in the UK Government, ICI ended the day only 11 lower at 1,036p.

### Gas in demand

The privatisation stocks were among the market's busiest, and British Gas were heavily traded with some 25m shares changing hands in extremely busy two-way trade. The British Gas share price was hit by numerous factors and fell sharply to touch 158p, before steadyng and closing a net 7 lower at 155p.

Dealers and analysts said that the share price fell primarily because of the "political factor," with the resignation of the Chancellor of the Exchequer adding to the problems facing the government. As Mr Fergus Macleod of BZW put it: "Up to now there has been no element of worry allowing for a Labour victory in the next election; in the past the Labour party has talked of constraints on dividend payments on former nationalised industries and today the market has just lost the Tories may just lose the next election."

Mr Philip Lambert at Kleinwort Benson also pointed to the political angle, but he added the possibility that the current state of uncertainty in the equity market might well mean an increase in the yield on the soon-to-be-privatised water stocks. This would mean the Gas share price would have to come down. But he also made the point that Gas is currently on a prospective yield of 7.3 per cent, well ahead of the market and with the prospect



of 10 per cent dividend growth.

Added to the political risks, dealers said, were concerns that OFGAS, the official gas regulatory body, "cutting up rough with Gas," as one put it, and to competition in the gas market from the Esso/Shell partnership announced earlier in the week.

Oil stocks, although lower across the board, were said by dealers to have held up well against the rest of the market. "The performance," said Mr Nick Clayton at Smith New Court, "highlights the defensive characteristics of oil - they are dollar earners and big beneficiaries of sterling's weakness. Despite continued trading with its third-quarter trading result disclosed on Thursday, and the market's reaction to the political changes in the UK Government, ICI ended the day only 11 lower at 1,036p.

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Kleinwort Benson said the international nature of the oil majors means they are not affected in any big way by domestic woes and that they have been held up by the performance of oil on Wall Street. Kleinwort also stressed the asset values of the smaller oil companies. BZW said one of the main reasons for the recognition of the sector's defensive qualities is the greater feeling of medium-term optimistic outlook for oil prices.

Jaguar shares rose 5 to 75p on 3.5m confirmation that Ford of America has increased its holding from 12.45 per cent to 13.2 per cent and is likely to increase this further to 15 per cent. Dealers said the next move would probably be a fall.

Merchants banks fell back after the excitement generated on Thursday by news that Willis Faber had conditionally agreed to sell its 20.4 per cent stake in Morgan Grenfell to Banque Indosuez. Morgan Grenfell held at 400p with the market still unsure of the French bank's ultimate intention.

International City Holdings (ICH), the money broker, were among the market's best performers, the shares adding 9 at 54p after news that a company called Dometec is seeking discussions which could lead to a bid for ICH. Dometec, run by Mr Michael Phelan and Mr Patrick Coffey, said it has an option to buy 2.7m ICH shares, equivalent to 4 per cent of the company. Any offer for ICH would be subject to Bank of England approval. Dometec said ICH were involved in unsuccessful bid talks earlier this year.

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## AMERICANS - Contd

|      | Price | + or - | No. | Gross | CW | %Yd  |
|------|-------|--------|-----|-------|----|------|
| High | Low   | Stock  |     |       |    |      |
| 391  | 28    | 28     | 100 | 96    | 1  | -2.5 |
| 251  | 24    | 24     | 100 | 96    | 1  | -2.5 |
| 212  | 20    | 20     | 100 | 96    | 1  | -2.5 |
| 14   | 19    | 19     | 100 | 96    | 1  | -2.5 |
| 847  | 14    | 14     | 100 | 96    | 1  | -2.5 |
| 322  | 13    | 13     | 100 | 96    | 1  | -2.5 |
| 57   | 12    | 12     | 100 | 96    | 1  | -2.5 |
| 62   | 11    | 11     | 100 | 96    | 1  | -2.5 |
| 188  | 10    | 10     | 100 | 96    | 1  | -2.5 |
| 605  | 9     | 9      | 100 | 96    | 1  | -2.5 |
| 452  | 8     | 8      | 100 | 96    | 1  | -2.5 |
| 224  | 7     | 7      | 100 | 96    | 1  | -2.5 |
| 214  | 6     | 6      | 100 | 96    | 1  | -2.5 |
| 223  | 5     | 5      | 100 | 96    | 1  | -2.5 |
| 171  | 4     | 4      | 100 | 96    | 1  | -2.5 |
| 274  | 3     | 3      | 100 | 96    | 1  | -2.5 |
| 209  | 2     | 2      | 100 | 96    | 1  | -2.5 |
| 221  | 1     | 1      | 100 | 96    | 1  | -2.5 |
| 13   | 1     | 1      | 100 | 96    | 1  | -2.5 |
| 2477 | 100   | 100    | 100 | 96    | 1  | -2.5 |
| 201  | 99    | 99     | 100 | 96    | 1  | -2.5 |
| 281  | 98    | 98     | 100 | 96    | 1  | -2.5 |
| 361  | 97    | 97     | 100 | 96    | 1  | -2.5 |
| 245  | 96    | 96     | 100 | 96    | 1  | -2.5 |
| 36   | 95    | 95     | 100 | 96    | 1  | -2.5 |
| 360  | 94    | 94     | 100 | 96    | 1  | -2.5 |
| 240  | 93    | 93     | 100 | 96    | 1  | -2.5 |
| 170  | 92    | 92     | 100 | 96    | 1  | -2.5 |
| 170  | 91    | 91     | 100 | 96    | 1  | -2.5 |
| 273  | 90    | 90     | 100 | 96    | 1  | -2.5 |
| 201  | 89    | 89     | 100 | 96    | 1  | -2.5 |
| 221  | 88    | 88     | 100 | 96    | 1  | -2.5 |
| 221  | 87    | 87     | 100 | 96    | 1  | -2.5 |
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| 221  | 85    | 85     | 100 | 96    | 1  | -2.5 |
| 221  | 84    | 84     | 100 | 96    | 1  | -2.5 |
| 221  | 83    | 83     | 100 | 96    | 1  | -2.5 |
| 221  | 82    | 82     | 100 | 96    | 1  | -2.5 |
| 221  | 81    | 81     | 100 | 96    | 1  | -2.5 |
| 221  | 80    | 80     | 100 | 96    | 1  | -2.5 |
| 221  | 79    | 79     | 100 | 96    | 1  | -2.5 |
| 221  | 78    | 78     | 100 | 96    | 1  | -2.5 |
| 221  | 77    | 77     | 100 | 96    | 1  | -2.5 |
| 221  | 76    | 76     | 100 | 96    | 1  | -2.5 |
| 221  | 75    | 75     | 100 | 96    | 1  | -2.5 |
| 221  | 74    | 74     | 100 | 96    | 1  | -2.5 |
| 221  | 73    | 73     | 100 | 96    | 1  | -2.5 |
| 221  | 72    | 72     | 100 | 96    | 1  | -2.5 |
| 221  | 71    | 71     | 100 | 96    | 1  | -2.5 |
| 221  | 70    | 70     | 100 | 96    | 1  | -2.5 |
| 221  | 69    | 69     | 100 | 96    | 1  | -2.5 |
| 221  | 68    | 68     | 100 | 96    | 1  | -2.5 |
| 221  | 67    | 67     | 100 | 96    | 1  | -2.5 |
| 221  | 66    | 66     | 100 | 96    | 1  | -2.5 |
| 221  | 65    | 65     | 100 | 96    | 1  | -2.5 |
| 221  | 64    | 64     | 100 | 96    | 1  | -2.5 |
| 221  | 63    | 63     | 100 | 96    | 1  | -2.5 |
| 221  | 62    | 62     | 100 | 96    | 1  | -2.5 |
| 221  | 61    | 61     | 100 | 96    | 1  | -2.5 |
| 221  | 60    | 60     | 100 | 96    | 1  | -2.5 |
| 221  | 59    | 59     | 100 | 96    | 1  | -2.5 |
| 221  | 58    | 58     | 100 | 96    | 1  | -2.5 |
| 221  | 57    | 57     | 100 | 96    | 1  | -2.5 |
| 221  | 56    | 56     | 100 | 96    | 1  | -2.5 |
| 221  | 55    | 55     | 100 | 96    | 1  | -2.5 |
| 221  | 54    | 54     | 100 | 96    | 1  | -2.5 |
| 221  | 53    | 53     | 100 | 96    | 1  | -2.5 |
| 221  | 52    | 52     | 100 | 96    | 1  | -2.5 |
| 221  | 51    | 51     | 100 | 96    | 1  | -2.5 |
| 221  | 50    | 50     | 100 | 96    | 1  | -2.5 |
| 221  | 49    | 49     | 100 | 96    | 1  | -2.5 |
| 221  | 48    | 48     | 100 | 96    | 1  | -2.5 |
| 221  | 47    | 47     | 100 | 96    | 1  | -2.5 |
| 221  | 46    | 46     | 100 | 96    | 1  | -2.5 |
| 221  | 45    | 45     | 100 | 96    | 1  | -2.5 |
| 221  | 44    | 44     | 100 | 96    | 1  | -2.5 |
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| 221  | 42    | 42     | 100 | 96    | 1  | -2.5 |
| 221  | 41    | 41     | 100 | 96    | 1  | -2.5 |
| 221  | 40    | 40     | 100 | 96    | 1  | -2.5 |
| 221  | 39    | 39     | 100 | 96    | 1  | -2.5 |
| 221  | 38    | 38     | 100 | 96    | 1  | -2.5 |
| 221  | 37    | 37     | 100 | 96    | 1  | -2.5 |
| 221  | 36    | 36     | 100 | 96    | 1  | -2.5 |
| 221  | 35    | 35     | 100 | 96    | 1  | -2.5 |
| 221  | 34    | 34     | 100 | 96    | 1  | -2.5 |
| 221  | 33    | 33     | 100 | 96    | 1  | -2.5 |
| 221  | 32    | 32     | 100 | 96    | 1  | -2.5 |
| 221  | 31    | 31     | 100 | 96    | 1  | -2.5 |
| 221  | 30    | 30     | 100 | 96    | 1  | -2.5 |
| 221  | 29    | 29     | 100 | 96    | 1  | -2.5 |
| 221  | 28    | 28     | 100 | 96    | 1  | -2.5 |
| 221  | 27    | 27     | 100 | 96    | 1  | -2.5 |
| 221  | 26    | 26     | 100 | 96    | 1  | -2.5 |
| 221  | 25    | 25     | 100 | 96    | 1  | -2.5 |
| 221  | 24    | 24     | 100 | 96    | 1  | -2.5 |
| 221  | 23    | 23     | 100 | 96    | 1  | -2.5 |
| 221  | 22    | 22     | 100 | 96    | 1  | -2.5 |
| 221  | 21    | 21     | 100 | 96    | 1  | -2.5 |
| 221  | 20    | 20     | 100 | 96    | 1  | -2.5 |
| 221  | 19    | 19     | 100 | 96    | 1  | -2.5 |
| 221  | 18    | 18     | 100 | 96    | 1  | -2.5 |
| 221  | 17    | 17     | 100 | 96    | 1  | -2.5 |
| 221  | 16    | 16     | 100 | 96    | 1  | -2.5 |
| 221  | 15    | 15     | 100 | 96    | 1  | -2.5 |
| 221  | 14    | 14     | 100 | 96    | 1  | -2.5 |
| 221  | 13    | 13     | 100 | 96    | 1  | -2.5 |
| 221  | 12    | 12     | 100 | 96    | 1  | -2.5 |
| 221  | 11    | 11     | 100 | 96    | 1  | -2.5 |
| 221  | 10    | 10     | 100 | 96    | 1  | -2.5 |
| 221  | 9     | 9      | 100 | 96    | 1  | -2.5 |
| 221  | 8     | 8      | 100 | 96    | 1  | -2.5 |
| 221  | 7     | 7      | 100 | 96    | 1  | -2.5 |
| 221  | 6     | 6      | 100 | 96    | 1  | -2.5 |
| 221  | 5     | 5      | 100 | 96    | 1  | -2.5 |
| 221  | 4     | 4      | 100 | 96    | 1  | -2.5 |
| 221  | 3     | 3      | 100 | 96    | 1  | -2.5 |
| 221  | 2     | 2      | 100 | 96    | 1  | -2.5 |
| 221  | 1     | 1      | 100 | 96    | 1  | -2.5 |
| 221  | 0     | 0      | 100 | 96    | 1  | -2.5 |
| 221  | -1    | -1     | 100 | 96    | 1  | -2.5 |
| 221  | -2    | -2     | 100 | 96    | 1  | -2.5 |
| 221  | -3    | -3     | 100 | 96    | 1  | -2.5 |
| 221  | -4    | -4     | 100 | 96    | 1  | -2.5 |
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| 221  | -9    | -9     | 100 | 96    | 1  | -2.5 |
| 221  | -10   | -10    | 100 | 96    | 1  | -2.5 |
| 221  | -11   | -11    | 100 | 96    | 1  | -2.5 |
| 221  | -12   | -12    | 100 | 96    | 1  | -2.5 |
| 221  | -13   | -13    | 10  |       |    |      |





# FINANCIAL TIMES

Weekend October 28/October 29 1989

**SHEERFRAME**  
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## Amnesty for jailed East Germans

By David Goodhart in Bonn and Leslie Collin in Dresden

MR Egon Krenz, the new East German leader, yesterday announced an amnesty for all those currently in prison for attempting to leave the country illegally or for participating non-violently in recent demonstrations.

Western diplomats say the amnesty - the first concrete reform of his ten days in office - could lead to the release of several thousand prisoners.

The move, a response to the growing unrest within East Germany, was welcomed by Ms Baerbel Bohley, one of the founders of the opposition New Forum group. She described it as "an important first step" and "the first sign of what we have been waiting for".

However, she also stressed that the opposition groups would not be dropping their demands for an independent inquiry into police brutality on October 7 and 8 in East Berlin and for open trials of those still being charged.

Although Mr Krenz is no

reformist by background or reputation, his first few days in office have been accompanied by a significant new openness towards opposition groups and more critical reporting in the official media.

Mr Krenz has also promised a relaxation of the current restrictions on travel to the West which is expected to be incorporated into a new travel law before the end of the year.

However, in a significant challenge to Ms Bohley, East German writers belonging to the prestigious PEN organisation called for a total reconstruction of state institutions.

In a letter to the East German leader released by the official news agency ADN, they said a socialist society was unthinkable without a plurality of views.

They warned that East Germany could become a dangerous source of tension in Europe if sweeping reforms were not carried out.

The amnesty, starting on



Krenz: Announced amnesty

November 30, will effectively suspend the law which imposes a maximum sentence of eight years for illegal attempts to

leave the country.

All those currently being charged, or due to pay fines, will also have their cases and punishments dropped. In the case of the amnesty for demonstrators, a clear exception is made for those charged with carrying weapons or using violence.

The amnesty may help to attract back a few of the 50,000-plus East Germans who have escaped illegally to West Germany since the beginning of September. According to East German TV more than 60 have returned in the past fortnight and many more would have done so but for "lies" from the West German Inner-German Relations Ministry, which has warned about possible prison sentences.

Baerbel Bohley adds: East Germany will on November 1 lift a ban on visa-free travel to Czechoslovakia. The ban was imposed earlier this month to stem the exodus of people to the West.

They warn that East Germany could become a dangerous source of tension in Europe if sweeping reforms were not carried out.

The amnesty, starting on

## BAe fails in court action to stop strikes

By Michael Smith,  
Labour Staff

STRIKES to spearhead a campaign for a 35-hour week in manufacturing look certain to go ahead from Monday after British Aerospace was yesterday refused High Court injunctions to prevent stoppages at two of its plants.

BAe is thought unlikely to take up its right to challenge the decision of Mr Justice Schiemann in the Court of Appeal before Monday. However, it may consider suing the unions for damages if the strike goes ahead.

Rolls-Royce, the other company facing an indefinite strike from Monday, said it had no plans to seek injunctions against the unions. "We do not think that legal action will prevent this dispute," it said. It was prepared for talks at plant level on hours reductions.

In the High Court BAe said the strikes were illegal. It interpreted a rule in the constitution of the Confederation of Shipbuilding and Engineering Unions to mean that sterling will behave. Its relative steadiness around DM2.90 yesterday did much to soothe equities; but with money market rates stuck at over 15 per cent, it is not clear how long the foreign exchange market will tolerate the refusal to raise base rates.

Given the magnitude of the political upheavals, the first reactions of the forex markets are not a particularly good guide. If sterling is going to be dumped in a big way, foreign investment committees have to meet and arrive at a formal decision. Contrary to what Mrs Thatcher may think, it is not the sort of action left to a few young cowboys on the trading desk.

Yesterday's enhancement by the new Chancellor of the need for a firm exchange rate is not enough. The markets need to know urgently whether UK exchange rate policy has become more permissive; the only way they can do this is by testing the authorities' response.

As the effective exchange rate has fallen by nearly 4 per cent since base rates were raised to 15 per cent three weeks ago, this should trigger another base rate rise if the authorities really are intent on maintaining a firm exchange rate.

At the three sites targeted for strikes - BAe in Chester and Preston and Rolls-Royce in Glasgow - all the unions taking part had achieved the majority that their rules required. In any case, the confederation said, the unions were prepared to waive the two-thirds majority rule.

Although the judge accepted the confederation's argument, he did grant BAe an injunction to prevent the MSF general technical union from bringing out 218 manual workers at the BAe Preston site.

This arose because, after last week's ballots, the unions decided to call strikes only among the 6,500 manual workers at the three sites; white collar workers had overwhelmingly rejected strike action.

MSF is predominantly a white collar union but it also has manual worker members.

The injunction was granted on the grounds that MSF had not

acted in accordance with its rules.

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# Weekend FT

SECTION II

Weekend October 28/October 29 1989

## Two olés for democracy

*Voters go to the polls tomorrow in the third general election since the death of Franco. Peter Bruce assesses the political state of the nation and concludes the system isn't doing its job*

**I**N CANGAS, a grubby Galician fishing town just above Portugal's northern border with Spain, there is no point asking to see the mayor. Louis Pena is not in his office and no-one seems to know where he is. The town hall has been closed for weeks. The owner of a bar opposite says the mayor does slip into the building now and then, but only if guarded heavily. "He is scared," says the innkeeper. And with good reason.

In May this year, Pena, a socialist, tried to raise the municipal tax in Cangas. The place needs money spent on it. On June 1, the bells of the old Romanesque church opposite the town hall began to ring and the townspeople began to pour into the tiny square between them. They forced their way into the mayor's office and held him hostage there for days. Fighting broke out. The Civil Guard was called, 17 people were hurt.

Pena refused to withdraw his new tax and the town was soon at war. His former wife, Angela Fernandez, already suffering profound depressions, also became a target of the hate campaign against the mayor and killed herself with an overdose of barbiturates. When Pena and his children were walking alongside the coffin at the funeral, they were stoned and kicked and beaten. He was put under 24-hour protection by the Civil Guard. When the Pope visited Galicia in August, all the police in the region were called in to protect him and Pena had to leave Cangas. Some people say he has never really come back.

The war with the mayor will become folk-lore in Cangas one day. But Pena's fate is more than just another of the tragedies of which Spanish writers are so fond. This is the late-20th century. Spain – arguably, for the first time in its history – is a stable, modern, parliamentary democracy, proof of which should be the general election (the third this decade) being held tomorrow.

Theoretically, the people of Cangas could have gone to court with their grievances, or they could have lobbied the Cortes (parliament) in Madrid. The fact that they did neither is a striking, if extreme, example of the fact that, just 14 years after the death of General Franco, the democratic system is not doing its job. They didn't try because they did not think it would work. The courts are almost criminally slow and the deputies in the Cortes have practically no contact with the people.

The 200 citizens of Tazones, an even tinier fishing village in Asturias, laugh when asked why they did not complain to their MPs about the stranger who, a year ago, planted 50,000 fast-growing eucalyptus trees on the hill that towers over their homes. They feared the trees would rob them of a precious three hours of sunlight when fully grown. So they slipped out one night – every one of them – and tore out the saplings. When the Civil Guard came round the next day to find those responsible, the entire village had the same story. "I was in bed." When the entrepreneur replanted his trees a few months later, the

fishermen tore them out again. "Madrid!" says Jorge, one of the leaders of the raids.

In Vega de Valdavieso, a one-horse town near Leon, people began to notice a disgusting smell coming from the Bernesga river that flows through the village. The culprit was a chemical plant 14 kilometres away operated by Montedison. Last July, the villagers stormed the plant and locked the managing director in his office for a few days. When still nothing was done, they threatened to throw the unfortunate man into the river. They were not joking, and the director knew it. "The river is still awful," says Apolinario Gonzalez, one of the villagers, "but they have promised to spend 2.6m pesetas (about £13.3m) cleaning it up."

Obviously, people power works – but the question is whether it should still be necessary. Spain is the youngest democracy in Europe. The constitution is 11 years old. Franco's death was greeted almost universally as a deliverance from fear and oppression and the beginning of a new age in which government would, finally, be answerable to Spaniards.

But it does not seem to have worked out that way. Spaniards remain prisoners of an immovable and increasingly corrupt bureaucracy. The Cortes, dominated for the past seven years by a large socialist majority, sees little meaningful debate and has failed signally to be a place to which the people can turn when they need help.

The quality of deputies is poor and the lower House is almost always empty. In the absence of debate and even modest opposition, practically anything – local taxes, court rulings, polluted water or unwelcome forests – becomes a focus for anti-violent political action.

Alvaro Gil-Robles, the government-appointed national ombudsman, sees it every day. "Things lose their place," he says. "What is bad is that there is no serious or solid parliamentary opposition. Because there is no opposition (to the socialists), non-political institutions like the courts become political." Indeed, it can take years for simple cases to come to court. And although the number of judges has been doubled, the new appointees are inexperi-

enced and, often, incapable. "Spain used to be a simple place and the justice system still reflects this," says Gil-Robles. "But Spain has grown incredibly quickly and there are many more conflicts. The court system has collapsed."

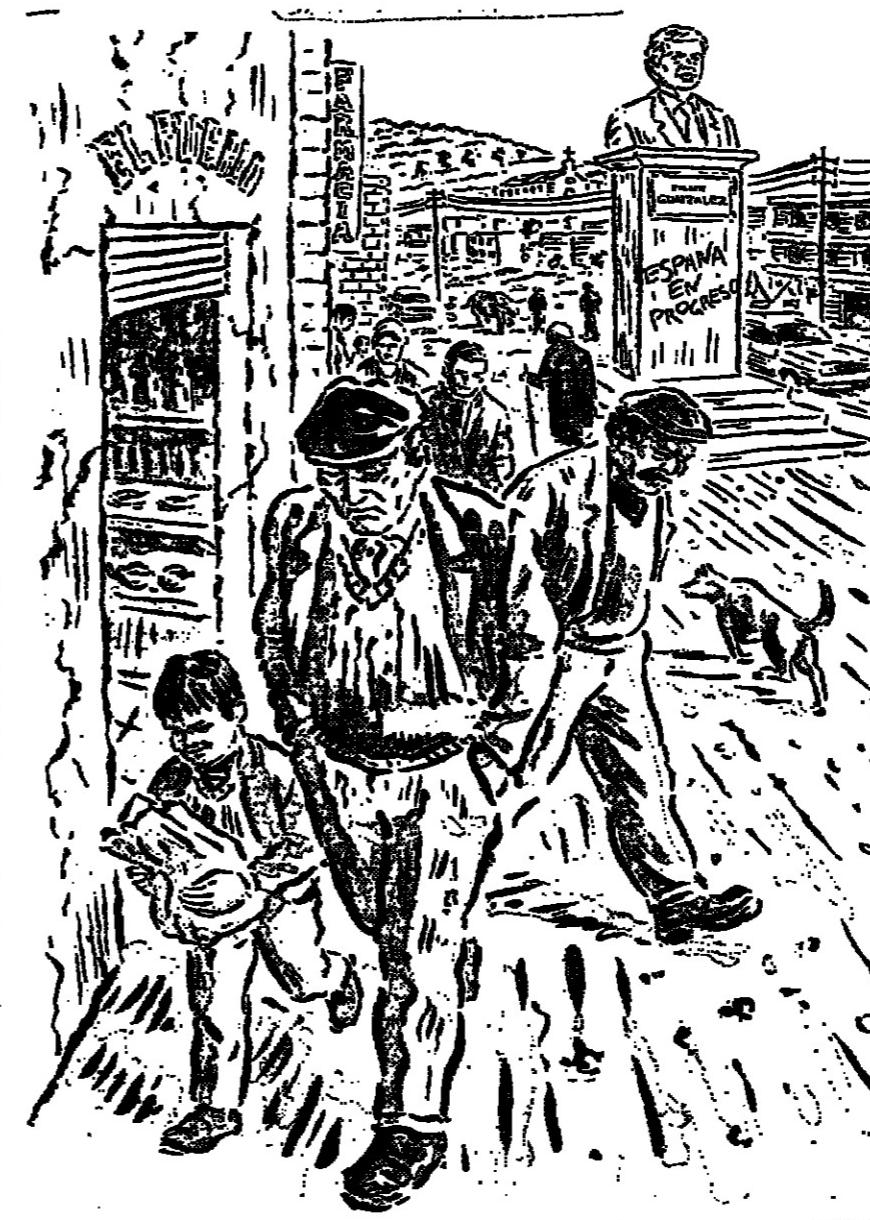
The postal system, too, is seriously flawed: unions estimate that about 12m letters and parcels are missing or undelivered at any one time throughout the nation. The Francoist system, whereby all letters from inside or outside Spain to anywhere in the country had first to pass through Madrid, has still not been modernised fully. And the telephones do not work, at a grave cost to the country's competitiveness. Telefonica, the blue-chip phone monopoly, has a waiting list of more than 500,000, and the fact that people buy its stock is a measure only of the government's determination to protect it from any competition.

Building regulations are probably the source of greatest frustration among Spanish citizens – and of the greatest corruption among bureaucracy which was, largely, honest and professional under Franco. Whether true or not, it is accepted that a small extra payment can speed up anything, from granting a building licence to re-painting the outside of a private home. The consequence of the change in regional policies for the autonomous regions is that the bureaucracy (and its capacity to complicate life) has been multiplied in all 17 of them.

It is the almost complete absence of accountability, the arbitrariness of political and bureaucratic decisions that infuriates Spaniards. The Cortes has become such a weak institution that the leader of one opposition party, former Prime Minister Adolfo Suarez, refuses to attend unless Prime Minister Felipe Gonzalez is going to be there as well. He feels it is beneath him.

T he blame for this lies squarely with Spain's electoral laws, drawn up in a hurry before the first democratic elections in 1977 and unchanged largely since then. After 40 years of dictatorship, the idea was to build strong political parties which probably would be forced to make coalitions in order to govern. The emergence of a dominant political force was to be avoided at all costs, and a rigid system of proportional representation was chosen.

What this created was the Socialist Party, a finely-organised behemoth which won overall majorities in 1982 and again in 1986. As it has stamped its authority over Cortes and country, clever Spaniards who might otherwise have entered politics have drifted into business and the serious business of making money. The opposition, particularly the Right, has fallen apart in despair and frustration. "The intellectual quality of the Spanish political class is now very low," the conservative politician says. "And party life is quite dead." Citing the present election campaign, practically devoid of issues and drowning in a sea of personal insults and empty promises, he adds: "We have become a Latin American democracy."



failed miserably to increase their share of world trade, or to improve their products, despite the phenomenal economic successes of the past three years. Corporate balance sheets have been re-structured but the corporations still make the same faceless products they always have.

Neither has Gonzalez done much to rid Spain of its old image as a place where merit counts for little. Nepotism – or, at least, the appearance of it – in government is common. The Education Minister's brother used to be the chairman of Telefonica and now runs the national television service. The latter's wife runs a government-funded fashion agency. The Finance Minister's wife works in his ministry. The Foreign Minister's brother is Spain's representative at the World Bank. The Governor of Madrid is the wife of the chairman of the national news agency, Efe. The chief civil servant in the labour ministry is married to the government's chief spokesperson. The Secretary of State for the Treasury is the brother-in-law of the president of the Securities Commission. There is much, much more.

To some extent, the socialists had little option when they came to government but to call on the loyal socialists "family" to fill jobs. And nepotism is as old as the hills in Spanish politics. But the government is now losing valuable people to the private sector as the lack of a party card puts paid to their career prospects.

A great many perfectly reasonable Spaniards believe that government is corrupt and unfair on Gonzalez because he is an honest man and obsessed with his job, almost to the point of being boring about it. But in a country where rumour, envy and resignation are long traditions, he has done nothing to make the government around him whiter than white. Indeed, the election campaign has centred largely on charges that the socialists have made themselves rich in office. It does not matter that this is not true – it is believed.

According to the opinion polls, the turnout of voters tomorrow probably will fall below 70 per cent for the first time since Franco died. That is still high by any standards, but it is hard to be comforted by the breezy reasoning of Gil-Robles: "The important thing is to be able to vote." It is, however, equally possible that the people no longer feel it is worth voting. Only older Spaniards remember Franco. But there are nearly 2m people in Spain living below the poverty line; and no matter how desperately the government has tried to create the conditions for wealth by building roads and schools, it is not closing the gap between rich and poor.

Gonzalez and the socialists have found it hard to get across the good news – that, yes, the country is an economic success but that modernising a decrepit nation is hard and slow. And, arguably, that is because they have failed to provide the elected, accountable, representatives to convey the message.

There is another little village, near Toledo, called Anchuras, close to which the Ministry of Defence decided to build a bombing range. Once again, the people felt it necessary to get out and fight for themselves. When the army set up tents on the range recently to begin work, the villagers went out in broad daylight to tear them down.

"They summoned me especially to Madrid to tell me what they were going to do," remembers Santiago Martin, the 26-year-old mayor of Anchuras. "They think they can just re-draw the map and forget we exist – but they didn't count on the strength of feeling in this village." Gonzalez, needless to say, has not campaigned near Anchuras this election.

The Long View

## Making good use of a scapegoat



**Viewed positively, the departure of Nigel Lawson could give the government an excuse to change course. But there are no easy options left**

**Investments?**  
Long-term capital has been flooding out of the UK of late with British investment institutions spending £5.3bn on foreign equities in the first half of the year. They have also begun to buy foreign bonds in an almost unprecedented way. Meanwhile, net portfolio

investment in the UK by foreigners has been negligible. Instead, Britain is being kept afloat by a flood tide of short-term hot money. Or, at least, it was until this week.

Monetary policy has, therefore, been dictated by the need to attract a flood of ever-more expensive sterling deposits. Broad money growth failed to decelerate after Lawson raised interest rates belatedly in the summer of 1988 and, if anything, has begun to accelerate again recently.

What should investors make of all this? Inevitably, first reactions to a crisis are negative, if only because the rates are increased. But there will be good opportunities, too.

First, we can ignore the routine government protestations that nothing is going to change. Plenty is going to change, and quickly. To start with, we have a *de facto* devaluation of sterling. That is sensible, and will encourage industry to start closing the rate gap. It is traditional good news in the equity market for the exporters and overseas earners. A fall in sterling will also allow interest rates to be brought down.

But this leaves the danger from inflation, which will leap quickly into double figures unless action is taken – and might well do so, anyway. The response should take the form of a rise in income taxes to bring about a slump in domestic demand (although, given the extent of the likely squeeze

on companies, it could well be advisable to reduce corporate taxes). Prospects are bleak for domestically-oriented companies, especially those which have grown so fat in the past few years by selling imported goods into the UK market. Liquidators will have the only growth business here.

If early action is not taken to control domestic demand, further crises of confidence will follow. For the securities markets, the yield on long-dated gilt-edged will be the crucial factor. A recession will reduce or eliminate the fiscal surplus which has led to buy-backs and an anomalously low long bond yield. But only a really severe slump could overcome inflationary fears and make gilt look attractive.

Through yield ratio considerations, the long bond return could dampen equities. The equity market is also likely to be hit by a wave of rights issues next year. Still, a portfolio of euro-dollars-oriented blue chips, backed up by some index-linked gilts, should not do too badly.

So much for economic and financial analysis. There is also the political dimension. If the government had bitten the bullet a year ago, it might have had time to ride a recession before the next general election falls due. Now, the recession will need to be worse and time is running out. The stock market has discounted a lot but, I suspect, not yet a Labour victory in 1992.

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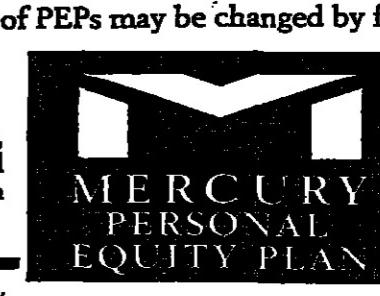
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BY RESIGNING so dramatically on Thursday night, under the smokescreen of a contrived row over the role of Sir Alan Walters, Nigel Lawson might have turned himself neatly from a punching bag into a scapegoat. For whatever happens now can be blamed on Lawson and his policies. It is a rare opportunity for the government to undertake some economic dirty work.

That is both the positive promise and the threat now faced by the financial markets.

John Major's first task as Law-

son's replacement was to deliver the Autumn Statement and publish some pretty unpalatable official forecasts.

Was this impending duty

partly what led his predecessor to seek the exit?

As regular readers will know, my criticisms of Lawson have been consistent over the past two years. A few weeks ago, I ventured to suggest he might be forced into a U-turn.

That appears to have been what the Prime Minister wanted as she manoeuvred him into an ever-tightener corner. But he has found a pretext for ducking the challenge.

The tragedy is that he failed

to build on his impressive start as Chancellor. Even as a junior Treasury minister, he had masterminded the successful anti-inflationary strategy of the early 1980s. Perhaps his decision to abandon monetarism in 1985 was explicable in terms of the need to win the 1987 election. But his refusal to tighten

little credibility.

Recently, Lawson appeared to lose touch with reality. He argued at the IMF that invest-

ment flows in a de-regulated global capital market meant that balance of payments deficits could be financed almost indefinitely. Did he ever look

at the actual movements of

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## MARKETS

LONDON

## FINANCE &amp; THE FAMILY: THIS WEEK

**Getting the best from personal equity plans**

Choosing a personal equity plan is far from easy since nearly 200 are now available with a bewildering variety of charges. Many dismayed investors have found already that the charges incurred have more than exceeded the value of government tax concessions to encourage wider share ownership. John Edwards discusses the problems on Page III.

**Broker bonds live again**

The Securities and Investment Board's proposed death sentence on broker bonds — investment funds managed by intermediaries on behalf of their clients — was lifted this week after a hostile reaction from the industry. Eric Short examines the SIB's change of heart. Page III.

**Expatriates fail to panic**

Most expatriate investors seem to have avoided any tendency to panic and sell their holdings after the latest wobble in world stock markets. It is all a very different story from October 1987, as Peter Gartland explains. Page V.

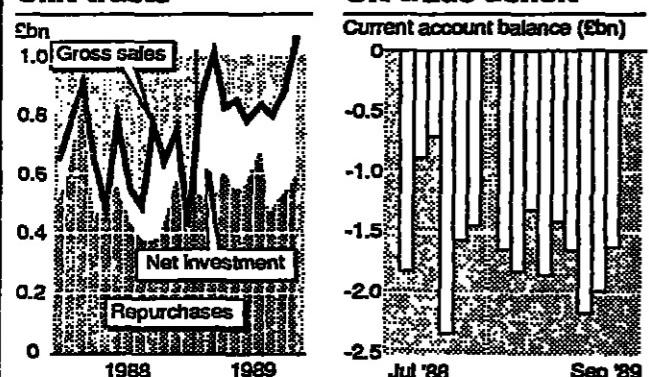
**Don't lose your shirt . . .**

Why take the risk of losing your shirt overnight in shares when you can earn a real rate of return above inflation without taking any chances? That's a question to interest most investors; John Edwards addresses it on Page VI.

**Minding Your Own Business**

Roy Hodson finds that nursing and residential care homes have become popular as small business opportunities, and that 63 per cent of people starting them are first-timers who have never owned a business before. He also meets a couple who once were penniless students but now own two nursing homes and have a third on the way — along with a very healthy bank balance. Page VII.

**# BRIEFCASE:** Treasury stock escapes CGT — Page VII

**Unit trusts****Unit trust sales soar through £1bn mark again**

Unit trust sales in September passed through the £1bn mark for the first time since the October 1987 crash, reaching £1.07bn, while net new investment rose to £2504m. However, September's figures owe much to institutional buying. The much-worried private investor is still wary of returning to encourage him back, especially after this month's mini-crash. But the signs are that investors generally did not panic this time when the stock market fell and that redemptions, while above average, did not go through the roof: investors are still steady buyers of units. — Eric Short

**Current account deficit down**

The UK current account deficit fell to £1.64bn in September from £2.01bn in August, according to official figures released this week. This means that the deficit for the full year is expected to be about £21bn. Britain's exports and imports reached record levels in September, the lowest monthly current account deficit since May. — Sara Webb

**New service for savers**

Willis Owen, the independent financial adviser, has started a new service for savers offering advice on where to obtain the best rates and the levels of risk to be expected from various forms of savings schemes. Partners Jeff Willis and John Owen started a service called the Building Society Shop five years ago, offering mortgage advice (for which they charge) and free information about which building societies offer the best interest rates for savers. They also offer advice on pensions and life assurance through their Pension Shop. Details available from Willis Owen, City House, Maid Marian Way, Nottingham NG1 6BH. — Sara Webb

**Bristol tops its competitors**

The new Vantage Bond from Bristol and West Building Society this week offers 11.8 per cent net (15.73 per cent gross), the best interest rate available from a "top 10" society. The rate has a guaranteed differential over the society's share account of 4.35 per cent. Minimum investment is £5,000 and the Vantage Bond will run until November 1, 1990, when interest will be credited and the funds transferred to a Bristol and West No 1 Capital account. Withdrawals will not be allowed before November 1, 1990, and notice of withdrawal can be given from August 2, 1990. The offer will be available for a limited period only. — David Barchard

**Midland increases rates**

Midland Bank is raising the interest rates on all its personal savings accounts from Monday. Rates will range from the 11 per cent net paid on its Premier savings account (now 10.50 per cent) to 5.25 per cent on the deposit account (now 4.50 per cent). The High Interest Deposit Bond will pay a maximum of 11.25 per cent net (now 11 per cent) from October 31. Multi-service current account rates are also being increased, from November 6. Orchard will pay up to 8 per cent net (now 7.5 per cent), Vector 8 per cent (now 7 per cent) and Meridian up to 9.5 per cent (now 8 per cent). — David Barchard

PRIVATE shareholders were presented with a new and disturbing innovation last week: an official market in a company's shares being set in motion before the shares to be traded on it were issued.

If, as seems likely, this is not the last development of its kind, private shareholders could find themselves regularly at a disadvantage to institutions in the important early days of a new issue.

The shares involved were those in Euro Disneyland. Thanks largely to the enduring popularity of a certain mouse, these shares have attracted the sort of private shareholder interest restricted normally to privatisations issues and Abbey National.

In the UK, 171,000 applications were received in a heavily oversubscribed issue. More than £200m was chasing just £57m worth of shares.

Officially, dealing in Eurodisney was to have begun on November 6, with the London, Paris and Brussels stock exchanges all making a market. In effect, that date was

brought forward suddenly last week.

In London, the Stock Exchange sanctioned dealing from Monday, while the Paris Bourse followed on Thursday. This gave official recognition to the "grey" market in the shares (a market which springs up off-exchange before official dealing begins).

This presents prospective shareholders with a dilemma. How can you sell your shares (if that is your intention) before you even know if they have been allocated to you?

For institutions, dealing in a grey market (whether recognised officially or not) is relatively simple. They have relationships with brokers who are happy to accept their orders before the shares are issued, knowing the institution concerned will meet its commitments.

# Definitely a week to forget

AS THE UK prepares to turn back its clocks tonight, summer seems a long time gone. But many people in the City, as well as in Westminster, must be wishing that time could go into reverse for a few days or weeks, rather than a measly hour. If they only had realised where the path would lead, would they have persisted? For now, that must remain a matter for speculation, but the equity and foreign exchange markets were in no doubt yesterday about the import of Nigel Lawson's resignation as Chancellor of the Exchequer.

Shares and sterling confounded the worst predictions. But the FTSE 100 lost 47.3, to end only a little above the day's low. The week's 97-point decline left the index at 2082.1, its lowest close for six months. Sterling plunged to just over DM 2.88 in London. A firm statement from the Bank of England put paid to wild talk of interest rate increases of 2 percentage points or more, but money market rates persisted stubbornly about half a point

above 15 per cent.

The historic political upheaval so dominated the markets that it is tempting to dismiss the rest of the week, with the apocryphal "How did you like the play, Mrs Lincoln?" Unfortunately, there was sufficient bad news even before Lawson's departure.

Tuesday bought a two-part test, the first half of which was passed with a sigh of relief. After another morning dominated in miserable trading volumes, the September current account deficit came in at £1.64bn (compared with August's 2.2bn figure which sparked the past month's slide in share prices and sterling).

After pausing for breath for several minutes, the market decided that at least it was not bad news by recent standards and shares edged up cautiously. Within hours, however, London's resolve was tried and found wanting by an early 85-point fall on Wall Street. The FTSE ended the day more than 40 points down, too early to show the leaner times for bulk products. Demand for the latter, however, was still holding up well, the company said. ICI lived up to its reputation as a market bellwether. A 75p decline to £10.97 led the FTSE 100 32.5

points lower on the day.

London was also spooked that day by the Confederation of British Industry's report on business confidence. There was very little to ameliorate the gloom on domestic demand, investment intentions, export prospects and the outlook for employment. The only straw to grasp was the belief by many manufacturers that recession might still be avoided.

Imperial Chemical Industries

put numbers to those fears on Thursday with third-quarter profits 12 per cent lower than in the 1988 period, leaving the nine-month result only 8 per cent ahead at £1.23bn. Even more worrying than the figures, which the City had expected to be flat in the third quarter, was the breakdown of business. The immediate weakness was in some specialised chemicals, which had been expected to buoy ICI through leaner times for bulk products.

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was still holding up well,

the company said. ICI lived up to its reputation as a market bellwether. A 75p decline to £10.97 led the FTSE 100 32.5

points lower on the day.

After 10 Downing Street, the Prime Minister's official residence, the best place to have been a fly on the wall this week was the corridors of power at British Airways. After its ignominious but prudent retreat from participation in the United Airlines buy-out, BA was dogged by unconfirmed and strongly denied stories of a split between Lord King and Sir Colin Marshall, chairman and chief executive respectively.

BA's plunge into the treacherous waters of US leveraged buy-outs, and its abrupt self-extraction, was a bewildering change of direction. But it could turn out to be less of an embarrassment than many now fear. The superficial question — why is a deal that was good value at \$300 a share no longer worth it at less than \$200? — overlooked two key factors.

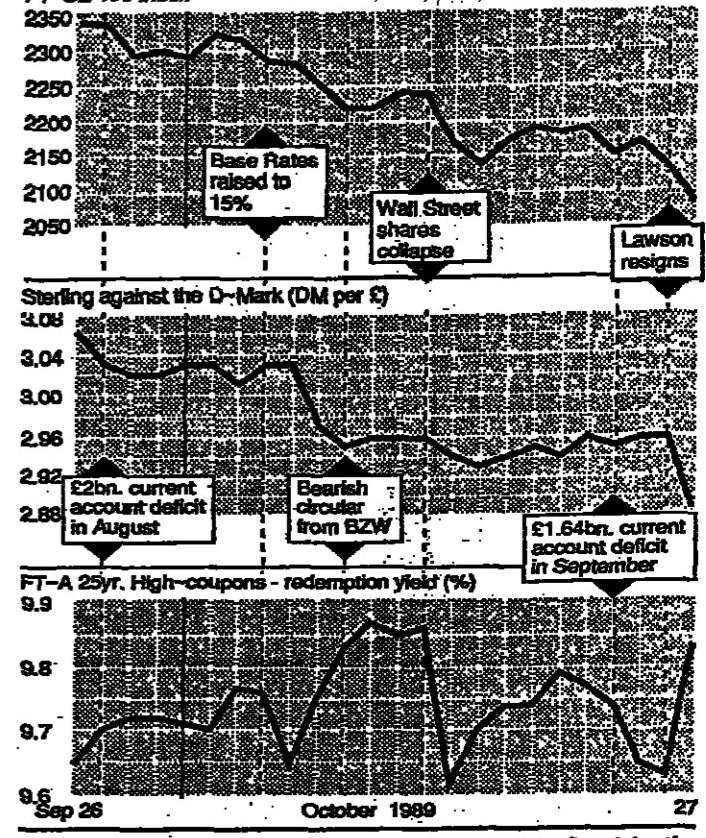
The first is that UAL non-executive directors were not likely to recommend any offer much short of the original price. The second is that the defensive aspect of BA's participation — to prevent United from falling into unfriendly hands — now looks much less pressing. If management, employees and BA were having trouble raising the finance, the same applied to Marvin Davis or any other UAL股东.

The main losers in the whole affair, apart from the underwriters left with 94 per cent of BA's £230m rights issue of convertible bonds, were US arbitrageurs, caught spectacularly by the collapse of UAL's share price. Indeed, many of the rumblings about King-Marshall split emerged from New York.

But shareholders in LIT Holdings, a financial services company with extensive US futures and options operations, will also pay for the UAL debacle. LIT said it would report a second-half loss and pass its final dividend because it had allowed three traders for whom it acted as clearing agent to

## Thirty days that shock the markets

FT-SE 100 Index



held their uncovered short positions in UAL over the traumatic October 13-15 weekend. Christopher Castleton, only five weeks into his new job as LIT's chief executive, said the company's credit control rules had been broken, announced a management review, and promised a more selective policy in future. LIT shares lost a total of 37p on Thursday and Friday to close at 33p.

The Monopolies and Mergers Commission cleared Coats Viyella to resume its courtship of fellow textiles group Tootal.

Tootal sold its UK thread interests and its 28 per cent stake in Gittermann, the Swiss-West German company which ranks second in the UK thread market.

Nothing has changed in the four months since referral to make the proposed union any less attractive. But it remains to be seen, in these uncertain markets, whether Tootal can underwrite a cash alternative equal to the £35p (worth a total of £885m) formerly on the table. Tootal closed at 115p on

Friday, compared with the present 143½p value of Coats' previous paper-and-cash terms.

Morgan Grenfell, architect of many hostile bids in its heyday, found itself on the receiving end of similar speculation on Thursday when Willis Faber, the insurance broker, agreed to sell its 20.4 per cent stake to France's Banque Indosuez. If the two-stage deal passes all hurdles, Indosuez will end up with 24.8 per cent of Morgan Grenfell. The UK merchant bank was not pleased, since talks with Indosuez had broken down earlier this year. Indosuez said it wanted to create a European partnership and did not plan at present to make a full offer.

Magnet, briefly Britain's largest management buy-out, before Gateway came along, sought a financial re-structuring only five months after completing the controversial \$600m transaction. Its convertible and preference shares were suspended as it entered talks with its bank creditors.

Clay Harris

## JUNIOR MARKETS

# So it's farewell to the USM

WAITING FOR the dust to settle has become an increasingly tedious activity for investors in small companies. No sooner had the junior markets started to see the light after the savage mark-down of 12 days ago than they were plunged once more into confusion by Chancellor Lawson's departure. Now, they are bracing themselves for an announcement next week which is expected to unveil changes to the market.

Before yesterday, the Unlisted Securities Market was showing a reasonable recovery, having risen by 6.4 per cent since the collapse on Monday, October 16; this made its fall over the past two weeks some 4.9 per cent. By comparison, the FT-A All-Share index had fallen by 3.8 per cent in that period but had made little headway since Tuesday, October 17. But even these gains were something much less attractive. The quarter saw a big build-up in inventories amounting to \$11bn (including farm products), which meant that real demand (known in the figures as real final sales) rose only 1.4 per cent. For manufacturing industry, this mixture of weak demand and modest price rises looks like a recipe for stagnant or unsatisfactory levels but no recession.

Bundled up in the figures was something much less attractive. The quarter saw a big build-up in inventories amounting to \$11bn (including farm products), which meant that real demand (known in the figures as real final sales) rose only 1.4 per cent. For manufacturing industry, this mixture of weak demand and modest price rises looks like a recipe for stagnant or failing profits.

The big question, of course, is whether the inventory build-up will force cutbacks in manufacturing that will eventually trigger a downturn in the economy. On Wall Street, a few bears are already saying that it is too late to get the economy going again, even with interest-rate cuts. They are saying that the Federal Reserve worried for too long about inflation when it should have worried about the other thing: recession.

Savings and loan institutions, those other mainstays of the junk bond market, have also been losing their appetite. They have been forced by Congress to sell their junk within five years, which means (under US accounting convention) that they carry the bonds at market value. One thrift, Columbia Savings & Loan, reported a loss on its junk bonds of no less than \$357.7m last week. The company's stock has gone from \$10 to \$4.12 in two months.

These markets are in retreat.

According to one estimate, the mutual funds that fed the public's thirst for high yield by investing their money in junk bonds saw a net outflow of no less than 5 per cent of their total assets in the week to October 20.

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These markets are in retreat.

seems quite possible that Automobiles will be the last start-up venture to join the Third Market. However, the company might also be interesting for several reasons.

For one thing, it is raising £4.3m, one of the largest sums ever on the Third Market (in May, Analysis Corporation, a financial information service, raised £5.5m). For another, its business is bound to excite interest among aficionados of classic cars (the term "classic" is applied to about 10 per cent of those over 10 years old).

## FINANCE &amp; THE FAMILY

John Edwards tells you how to pick a PEP without getting in a pickle

## A bewildering array of plans

**CHOOSING A PERSONAL EQUITY PLAN (PEP)** is far from easy. There are nearly 200 different plans available, with a bewildering variety of charges and very few performance track records.

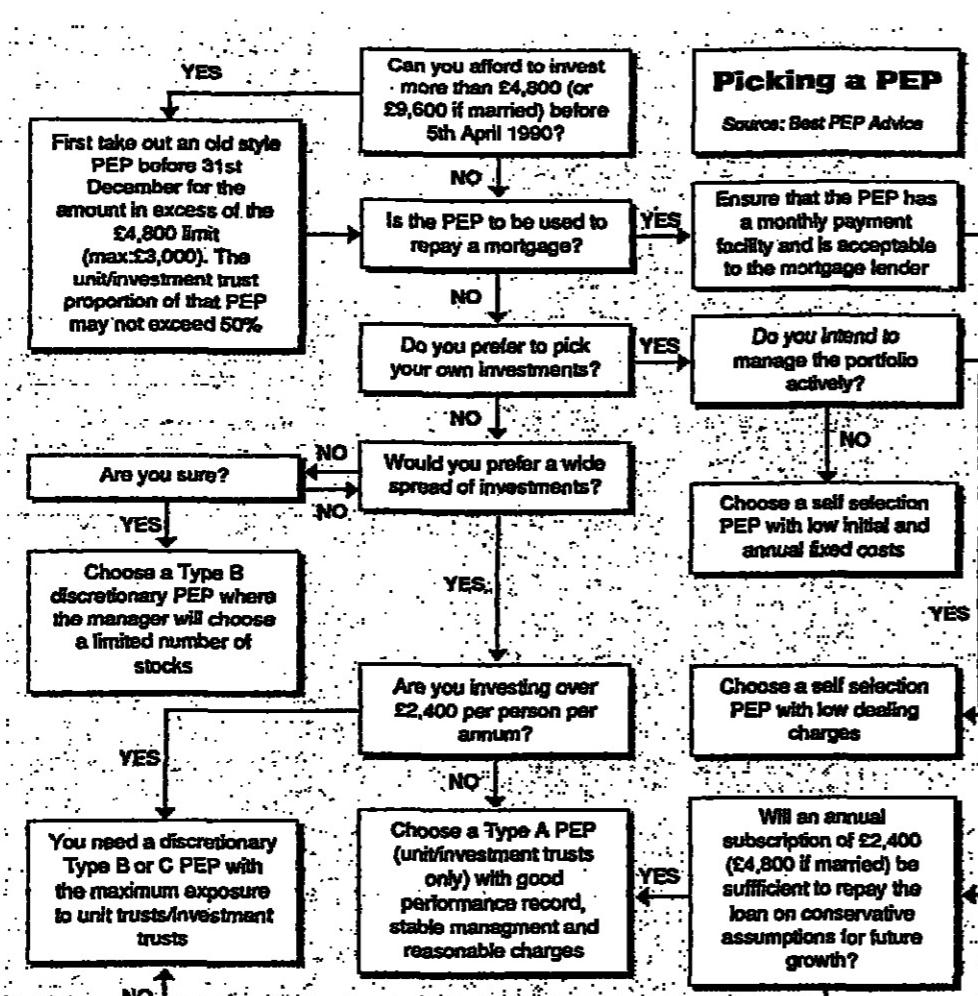
Many investors taking out share PEPs have already found, to their dismay, that the charges incurred have more than exceeded the value of government tax concessions to encourage wider share ownership.

So a way of assessing more precisely what you are buying is urgently needed. John Spiers, a former London stockbroker, says there was a similar problem when Business Expansion Schemes, also offering tax concessions, were launched. He tried to tackle it by helping to found BEST Investment, a magazine service that analyses the different schemes introduced.

Now he has turned his attention to PEPs with the launch on Monday of Best PEP Advice, which provides basic analysis of the existing schemes and is updated every month.

Comparing PEPs is not an easy task. There are so many different factors to take into account, and in many cases there is large element of individual investor choice. Further confusion is added by the variation in methods of charging.

Fundamentally, however, there are two main varieties of PEPs. One is where the manager makes the choice of shares, and that includes investment and unit trust only PEPs. The second is a self-select PEP where you make your own choice. For the first



variety, it is useful to know not only the charges involved, but also the performance record of the manager choosing the stocks on your behalf.

To help assess the performance track record, Spiers has sought the help of Micropal in providing details of unit trust groups over one, three- and five-year periods. This gives the basic information for a special section reviewing the individual managers and their plans.

However, this information is confined to unit trusts, and there is very little data available to assess the performance of stockbroking firms or how bigger investment houses deal with being restricted to only a few shares.

Spiers believes that unless you have specific knowledge or experience with a particular fund manager, it is probably wiser for discretionary direct share PEPs to stick to an index-tracker fund with the most reasonable charges.

Charges are easier to assess, although even here there are problems. For example, it is cheapest to buy one share (and this might be the best policy for someone with a big separate portfolio) but the risk of going into one share is considerable, especially for first-time investors.

Nevertheless, to provide a fairly good comparison of charges, Spiers has used two different methods for the self-select and discretionary PEPs.

For discretionary funds, the measure used is defined as the Immediate Realisation Value (IRV). This shows what you would get if you cashed your (new-style) PEP immediately, after all charges, including all transaction costs, have been deducted.

Surprisingly, it shows that almost inevitably direct share purchase PEPs are more expensive than a unit trust investment even though the unit trust charging structure allows for a 3 per cent commission

trust PEPs is 92.8 per cent of the original investment, compared with 81.0 per cent for shares-only PEPs.

There are considerable differences from that average. As the accompanying table shows, Lloyds Bank is the lowest charging manager with an IRV of 97.3 per cent, while stockbrokers Greig Middleton has the highest charges with an IRV of 83.0 per cent.

Performance must, of course, be taken into account (Lloyds Bank unit trusts, for example, have a poor track record, although that does not necessarily mean a poor PEP fund). The figures, however, add weight to the view that the inexperienced investor, in particular, should stick with a unit trust PEP where the charges and performance can more easily be ascertained.

For self-select PEPs, where you choose your own shares, the gauge used to measure charges is based on the costs incurred during the first year for three different types of investor: passive, average and active. An assumption is made that the report and accounts on two holdings are supplied since most managers make additional (sometimes extortionate) charges for providing them. Not taken into account is that several self-select PEPs offer a restricted choice of shares and, significantly, these type of plans are the four best-value PEPs listed. As can be seen, there is a wide gap between the best Midland Bank and the worst, Nelson Milnes.

Best PEP Advice is aimed primarily at financial advisers and the serious private investor. It costs £125 a year, but there is a first-year introductory offer of £99.

THE PROPOSED death sentence for broker bonds, which are investment funds managed by intermediaries on behalf of their clients, was suspended by the Securities and Investments Board (SIB) this week.

The reprieve was announced by David Walker, the SIB chairman, to a delighted audience at the annual dinner of Lined Life Assurance Group. The announcement showed a finely tuned sense of theatrical timing, given the heavy involvement of the insurance companies in broker bond business.

SIB did not pull any punches about broker bonds in its consecutive paper No 26 issued at the end of July.

It argued that investors did not understand in what they were investing when they bought broker bonds; that investors were paying higher charges but not receiving any higher investment returns compared with those obtainable on life company managed funds; and that the charges were so obscure that investors had little idea of what they were paying.

The document concluded that advisers, in offering broker bonds to clients, were under a considerable conflict of interest and that invariably they offended the best advice requirement of the financial services regulations.

The logical conclusion was that independent financial advisers should not be marketing these products unless they could justify that there was a demand for the product and meet the best advice restrictions imposed by regulators.

Nevertheless, there was hostility to the proposals. Financial advisers and life companies pointed out that £2bn was invested in broker bonds, and this showed there was strong demand for these funds.

Additionally, they argued there was sufficient evidence to show that, on past performance at least, some broker bonds outperformed funds managed by life companies over the long term.

Furthermore, it was claimed that investors liked broker bonds.

## Death sentence lifted

Eric Short on broker bonds

the regulator's task is to find ways of accommodating this while seeking to ensure that advisers are properly discharging their obligation to give best advice."

It is an important concession. Walker has stated, in no uncertain terms, that SIB cannot ban a particular investment product simply because it is finding it difficult to regulate.

Had SIB pursued its original proposals, the UK life assurance industry could have found itself on the slippery slope to a European style control system where any new product has to be approved by the central authorities, with the consequence that product innovation is inhibited.

Nevertheless, Walker is far from satisfied that the existing controls on broker bonds are adequate to ensure that clients are not abused. He hopes that SIB will put forward firmer proposals for further discussion before the end of the year.

Even those defending their retention accepted that there were things wrong and put forward constructive proposals on how broker bonds should be regulated.

In essence these were:

■ Much clearer definitions of broker bonds and more explicit promotional literature, including making very clear the precise relationship between the adviser, the investor and the life company.

■ Going far beyond its regulatory powers in effectively banning broker bonds.

■ Clearer charging structures, with detailed explanations to this last accusation.

■ More information on the investment aspects of broker bonds, including past performance details.

■ Regular investment reports, including details of switches and monitoring of performance against a variety of criteria.

■ Closer scrutiny of the expertise of the person/firm handling the investment aspects of broker bonds.

These proposals, from the practitioners, give SIB several leads for establishing a viable system for regulation of broker bonds.

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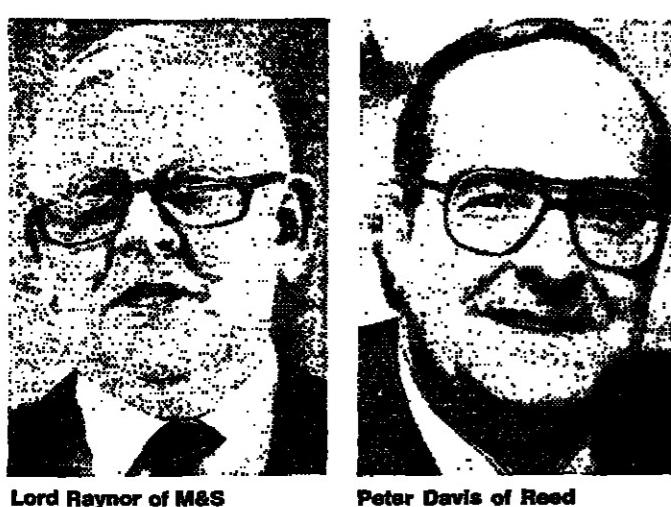
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## FINANCE &amp; THE FAMILY



Lord Raynor of M&amp;S

Peter Davis of Reed

RESULTS DUE

| Company                        | Announcement due | Dividend (p) <sup>a</sup> | Last year final | This year final |
|--------------------------------|------------------|---------------------------|-----------------|-----------------|
| FAMILY DIVIDENDS               |                  |                           |                 |                 |
| Ashley Group                   | Wednesday        | 1.8                       | 5.1             | 1.9             |
| Bridport-Gundry                | Wednesday        | n/a                       | n/a             | n/a             |
| GBC North America Fund Inc.    | Monday           | 3.0                       | 4.5             | 3.2             |
| Fanner JH Holdings             | Wednesday        | 0.1                       | 2.0             | 0.4             |
| GH Holdings                    | Tuesday          | 3.0                       | 4.5             | -               |
| International City Holdings    | Tuesday          | 2.5                       | 6.0             | 3.0             |
| Keystone Investment Company    | Tuesday          | 1.833                     | 3.63            | 2.1             |
| Low William & Co.              | Wednesday        | 1.0                       | 1.0             | 1.0             |
| MMT Computing (Contractors)    | Tuesday          | 1.50                      | 4.2             | 1.75            |
| UDC Holdings                   | Tuesday          | 0.72                      | 1.71            | 0.9             |
| Unigroup                       | Tuesday          | 0.8                       | 1.7             | 1.0             |
| Video Tape Recording           | Monday           | -                         | -               | -               |
| INTERIM DIVIDENDS              |                  |                           |                 |                 |
| Anglo American Coal Corp.      | Tuesday          | 95.0                      | 205.0           | -               |
| Aviva Petroleum Inc.           | Thursday         | 8.0                       | 16.0            | -               |
| British-Borneo Petroleum Synd. | Wednesday        | 0.2                       | -               | -               |
| Burtonwood Brewery             | Thursday         | 0.7                       | 2.05            | -               |
| Cambridge Instrument Company   | Tuesday          | 0.24                      | 0.61            | -               |
| Cheltenham Artisans            | Wednesday        | 2.75                      | 1.0             | -               |
| Coil William                   | Tuesday          | 1.0                       | 1.75            | -               |
| Expedier Leisure               | Monday           | -                         | -               | -               |
| Gresham House                  | Tuesday          | 3.0                       | 3.65            | -               |
| Marks & Spencer                | Tuesday          | 1.7                       | 3.9             | -               |
| Metacorp                       | Monday           | -                         | -               | -               |
| Medicorp                       | Tuesday          | 0.1                       | -               | -               |
| Office & Electronic Machines   | Wednesday        | 1.2                       | 3.0             | -               |
| Powerscreen International      | Wednesday        | 1.7                       | 3.3             | -               |
| Provost                        | Tuesday          | 2.5                       | 6.0             | -               |
| Relston International Trust    | Wednesday        | 4.0                       | 8.0             | -               |
| Royal Environmental Services   | Thursday         | -                         | 1.65            | -               |
| Reed International             | Monday           | 0.75                      | 1.5             | -               |
| Rit Capital Partners           | Wednesday        | 0.75                      | 1.5             | -               |
| Rowe Evans Investments         | Monday           | 0.1                       | -               | -               |
| Securities Trust of Scotland   | Tuesday          | 2.0                       | 1.0             | -               |
| Sheringham                     | Monday           | 0.5                       | 1.0             | -               |
| Triumph                        | Thursday         | 3.0                       | 5.5             | -               |
| Usborne                        | Tuesday          | 9.0                       | 15.0            | -               |

<sup>a</sup>Dividends are shown net per share and are adjusted for any intervening scrip issue. <sup>b</sup>South African cents. <sup>c</sup>Dividend for period from 25/10/88 to 3/10/88. <sup>d</sup>2nd interim dividend.

## COMPANY NEWS SUMMARY

## TAKE-OVER BIDS AND MERGERS

| Company bid for                                   | Value of bid per share <sup>a</sup> | Market price <sup>b</sup> | Price before bid | Value of bid per cent | Bidder |
|---|-------------------------------------|---------------------------|------------------|-----------------------|--------|
| <i>Prices in pence unless otherwise indicated</i> |                                     |                           |                  |                       |        |
| Armstrong Eq.                                     | 180*                                | 177                       | 95.80            | Cape Ind.             |        |
| Broadcast Commt                                   | 330*                                | 318                       | 117.2            | G'dan Man.Hews        |        |
| Caradon   | 517.99                              | 505                       | 488              | MB Group              |        |
| DRC   | 590*                                | 565                       | 697.00           | Pembroke Inv.         |        |
| ITL Info. Tech.                                   | 41                                  | 41                        | 25               | ITL Int'l. Comp.      |        |
| MTI Research                                      | 295*                                | 292                       | 235              | MTI                   |        |
| Meat Trade?                                       | 350*                                | 353                       | 91.18            | Twigsman              |        |
| Neill (James)                                     | 280*                                | 274                       | 20.76            | Markoffer             |        |
| Oceans Devol.                                     | 4.5                                 | 265                       | 270              | Symphony Corp.        |        |
| Pearl Group                                       | 605.5                               | 622                       | 552              | AMP                   |        |
| Rose Cathederal                                   | 253*                                | 244                       | 161              | Victora               |        |
| Siltborenef                                       | 645*                                | 640                       | 430              | Fuchs Petrolub        |        |
| Toothill (R.W.)                                   | 675*                                | 665                       | 460              | Adams Inds.           |        |
| Utd. Scientific                                   | 114.2                               | 135                       | 147              | Meggit                |        |

<sup>a</sup>All cash offer. <sup>b</sup>Cash alternative. <sup>c</sup>Partial bid. <sup>d</sup>For capital not already held. <sup>e</sup>Conditional. <sup>f</sup>Based on 2.50p prices 27/10/89. <sup>g</sup>Suspension. <sup>h</sup>Shares and cash. <sup>i</sup>Offer is 250p for each stock unit registered on the London Stock Exchange and R16.53 for each stock unit registered in S. Africa.

## ACCOUNTANCY

The Financial Times proposes to publish a Survey on the above on 25TH NOVEMBER 1989  
For a full editorial synopsis and advertisement details, please contact:

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## The Week Ahead

## US question over Marks

**MARKS & SPENCER** will set the tone for the entire retail sector when it reports interim results on Tuesday. The company, chaired by Lord Raynor is expected to report pre-tax profits above £200m, against £185.5m in the first half last year.

The UK performance is likely to show that M&S has done better than its rivals in the difficult trading conditions this summer. Europe also should show good profit increases but analysts are nervous about the group's performance in North America. The Canadian chain has been a long-running problem but now the City is concerned about Brooks Brothers, the up-market US menswear business bought last year. Investors will want to know the truth behind rumours that the acquisition has not gone well.

□ William Low, the Scottish food retailer, will produce final results on Thursday. These are likely to show a rise from £11.1m pre-tax (excluding fixed asset sale gains) to £16m.

While analysts have respect for Low's profit record, there is concern that a regional food retailer could be squeezed by the leading supermarket groups - a suspicion confirmed implicitly by Low's abortive attempt to merge with Budgen earlier this year. Analysts now expect Low to buy a parcel of stores from Iscosles, the new owner of Gateway.

□ When Reed International announced its interim results last year, the pre-tax profit figure of £133.2m was well ahead of expectations. One of the beneficial factors was the interest income from the £780m cash mountain built-up by disposing of its paper and packaging interests. Now that much of this money has been spent on strengthening its publishing interests, the questions being raised ahead of Wednesday's interims are: how good were the buys and are there weaknesses in the older areas of the business?

Profit forecasts range from £19m to £225m.

□ Powerscreen International, the Northern Ireland-based maker of machines that screen soil and crush rock, is expected to harvest more praise for its re-structuring after announcing its interim on Wednesday. Pre-tax profit for the six months to Sept 30 is expected to be £5m, compared with £5.5m last time, and the company should be on course for one of only two UK plants to handle PCBs for the full year.

However, most analysts are expecting the storm over the Canadian waste to have only a marginal impact on Rechem's results, since the company apparently can command more work within the UK than it can cope with. The positive side of handling PCBs should also be demonstrated in that its margins should reflect its position as one of only two UK plants to handle PCBs for the full year.

Powerscreen's strong suit is in geographical spread. Royer

Group, the US maker of soil and compost shredders, will be in for the full six months for the first time and European sales should also have increased strongly.

□ When Rechem Environmental Services reports its interim figures on Wednesday, attention will focus again on its imports of hazardous waste. The results may well be affected by the blockade of polychlorinated biphenyls from Canada, destined for Rechem, which dominated the headlines for a week in August.

However, most analysts are expecting the storm over the Canadian waste to have only a marginal impact on Rechem's results, since the company apparently can command more work within the UK than it can cope with. The positive side of handling PCBs should also be demonstrated in that its margins should reflect its position as one of only two UK plants to handle PCBs for the full year.

Powerscreen's strong suit is in geographical spread. Royer

Group's forecasts range from about £4.6m to £5.2m last year.

Sara Webb finds plenty of uncertainty among the financial gurus

## City is divided on need for Major changes

CHANCELLOR Nigel Lawson's resignation on Thursday will have left many people wondering what the future holds for their own personal finances - whether because the run on sterling could prompt further interest rate increases and, therefore, deal an even more severe blow to people with mortgages, or because of worries that the stock market could remain volatile for some time, given the uncertainty over the health of the UK economy.

In the City, there is plenty of uncertainty over what action John Major, the new Chancellor, will take and if investor confidence in the market will be restored. One problem for the gurus is that Major is an unknown quantity.

He has been dubbed "Thatcher's poodle" - but does this mean that Thatcher's economic views will become more important, and that her views on non-intervention in the market will prevail?

Simon Knapp, UK economist at BZW, says: "It is unfair to call Major a poodle, but he's unlikely to stand up to Thatcher in the way that Lawson did and will probably be relying much more on his advisers. Thatcher won't want the pound to fall too far."

However, the uncertainty has not gone away. This could well be the lull before the storm, depending on how international investors react now. This is the first time that political risk has entered the market for five or six years. If they let the pound fall and inflation rises, then the risk increases of there being a long drawn-out period of decay which will frighten overseas investors.

"A lot of the speculative element has come out of sterling in the last two months: the key

means a recession, and a recession is good for bonds: we'd probably see a switch from equities to gilts, and cash and money market funds are offering quite reasonable deposit rates as well as being risk-free. Risks have gone up considerably in the equity and gilt markets."

Dingwall-Smith believes that while interest rates won't necessarily go up in the short term, they will stay high.

"The money market will follow this pressure on sterling and, if the pressure comes back on sterling, there is a danger money market rates will drift up. It might be better for bonds if there was a decisive move to raise the base rate rather than letting the currency drift and then suddenly panicking."

"Cash is extremely attractive now" says Whitehead. "The gilt market will probably be choppy while there is concern over the government's determination to fight inflation."

If sterling is allowed to fall, one possibility is that this could help short-term corporate profits - but would this give a boost to the stock market?

Knapp believes that Thatcher won't want the pound to fall too far: "It would be good for corporate profits, and help the export side, but would mean the inflationary problem would take longer to solve - ie, there would be a risk long-term that inflation would not come down in time for the next election. It is difficult to see the stock market going any higher - if the pound weakens next week and rates go up, we're virtually assured of a recession and it will hit confidence so badly."

Meanwhile, Hannah advises against those companies with high exposure to interest rates through being highly geared or vulnerable to inflation - for example, companies in the building materials, construction, mechanical engineering, chemicals and property sectors. Go for groups with earnings overseas," he suggests.

Knapp says he can't envisage any significant change in policy over interest rates being used to protect sterling.

"However, if sterling weakens, we can't rule out a rise in interest rates."

But Richard Hammah, of UBS Phillips and Drew, disagrees.

He says "Our guess is that they will try to prop up the pound without using the interest rate weapon. Obviously, Thatcher will drive economic policy with Major than with Lawson."

Richard Dingwall-Smith, UK economist at County NatWest Wood Mac, says: "Thatcher may in principle like markets to determine their own level, but in practice she won't let the market fall sharply - there is greater uncertainty over exchange rate policy and whether the government has lost its credibility. The less stature the Chancellor has, the harder it will be for him to stand up to Thatcher."

"I don't think the political uncertainty and lack of confidence from overseas will go

away, so there is every chance that sterling will come under pressure again - and that the Bank of England will intervene to support it. Maybe sterling will be allowed to edge down a bit."

John Whitehead, strategist at Robert Fleming, says the criticism of Thatcher's poodle" - but does this mean that Thatcher's economic views will become more important, and that her views on non-intervention in the market will prevail?"

He adds: "I don't think that

her views on non-intervention in the market will prevail?"

probably look attractive soon once they have come down further, although the stock market could drift sideways for a few more weeks.

&lt;p

## FINANCE &amp; THE FAMILY

## EXPATRIATES

## Offshore investors avoid the frenzy

SCANT THOUGH the available evidence is, there is little to support the view that expatriate private investors were packed into a wave of distressed selling by the sudden plunge in the New York Stock Exchange on "Grey Friday" earlier this month.

It seems that expatriates followed the lead of their stay-at-home compatriots on the basis that they had seen it all before, only two years ago, and certainly weren't going to be blown off course this time round.

Peter Pearson Lund, managing director of the Gartmore group, confirms that, this time round, it was a very different story from the Black Monday of 1987. Nevertheless, some investors did take fast action, and may now be regretting it.

On the Monday following "Grey Friday", Gartmore recorded more than 1,000 switches in its existing Capital Strategy umbrella, which boasts a total of \$275m of funds under management. Gartmore estimates that about half the total number of switching instructions came from expatriate investors, and that the majority were for a switch from equity into cash funds.

Pearson Lund's advice is to stay with a broad range of equity markets but keep a small percentage in cash. "Don't scurry out," is his message. And, above all, do not make any decisions on the basis of fear and panic.

Fidelity Investment Services says that private investors were more relaxed this time round and seem to be accepting that, while stock markets are becoming increasingly volatile, there is no need for the long-term investor to panic.

That said, there was a mini-flight into cash at Fidelity, measured at a level three times that of redemptions.

Fidelity's Jersey office, largely used by expatriates, experienced less activity than the company's onshore offices.



**LAST DAY STOCK MARKET TIPS FOR EXPATRIATES**

Mary Blair, marketing director of Fidelity, puts this down to expatriates being less close to markets, not only in a physical sense but also in terms of taking action on up-to-date information. "By the time expatriates had thought about doing something, markets had recovered to a large extent," she says.

That thought is echoed by Fred Carr, director of Capital-Cure Myers Capital Management. He says: "If you're in some remote place, it takes longer for news to sink in." Carr says his office was manned from 8am on the first working day after Grey Friday in anticipation of a rush of selling orders from the Middle East, but "there was no discernible flicker from expatriates". He finds it encouraging that investors appear to have learnt that they could end up selling at the bottom of the market in the event of a sudden crash: it's now seen as an opportunity to buy. He does concede, however, that an expatriate investor who has no liquidity in his portfolio would be advised to review his strategy.

Management confirms there was no panic among expatriate investors. Royds regards this as a reflection of the fact that the offshore investor is not so much in touch with the market and approaches investment on a genuine long-term basis. This is undoubtedly the case for some, but this remoteness from the market could mean many expatriates are just staying away.

Cunnington and Associates, a London-based research company, has just completed a survey of investment habits among British expatriates on the Spanish Costas - Brava, Blanca and del Sol.

Michael Cunningham says British expatriates in Spain feel they are too remote to invest in shares. The same goes for equity fund investment: only 10 per cent of those questioned in the survey had money in unit trusts or offshore funds. The expatriates' favourite home for money is a bank deposit account. Few use the services of a financial adviser, but base their financial decisions on informal discussions with friends.

Cunnington says the results surprise him because expatriates living in Spain are generally not short of the time necessary to plan their financial affairs properly.

Last year, his company carried out a comparable exercise among working British expatriates in the Middle East. It seems the savings habits of retired expatriates in Spain bear a marked similarity to their working counterparts in the Gulf, who also favour deposit accounts rather than risk investments.

It looks like a case of missed opportunities. Then again, maybe expatriates prefer not to be caught up in the frenzy of stock market gyrations.

**Peter Gartland**

■ Peter Gartland is Editor of *The International*, the FT's magazine for expatriates.

Mark St Giles, chairman of the Money Management Council, and former chairman of Fimbra, reviews "Personal Finance, The A-Z of Investment and Money Management", by John Edwards, personal finance editor of the FT.

AS PERSONAL wealth increases, individuals will need to be better informed about their own financial affairs. This is reinforced by the Government's desire to make people more responsible for their own finances.

The increase in home ownership has brought with it a rapidly widening choice of types of mortgage and of methods of repaying them. Personal pensions are being enthusiastically received, as the sales figures show. Inheritances, previously the province of the wealthy, are now likely to be received by anyone whose parents have owned a house.

Privatisation has greatly increased the number of shareholders who, as the saying goes, will need a large post box and a larger waste paper basket.

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**Heather Farmbrough cheers good communicators**

## Plaudits for Lazard

BUSINESS Expansion Scheme fund managers have earned something of a reputation for being uncommunicative. So four gold stars for the managers of Lazard Development Capital funds (LDCL), whose communication record is exceptional by BES industry standards.

On Tuesday, some 500 shareholders passed through the airport-style security barriers at the Queen Elizabeth II Conference centre in Westminster, London, to be told all about the performance of Lazard's 11 funds.

This is the third time Lazard has taken over the QEII hall, and LDCL chairman Douglas Hudson reports that it's worth it for investors' feedback. His impression is that "investors are more concerned with investment matters generally, such as rights issues and early realisations, the issue of capital gains tax payable on disposals and so on, than specific company performance."

But all in all, Lazard's early funds have not done too badly, particularly in terms of survival rates. Of the first fund, launched in the 1983-4 tax year, nine out of 11 companies have survived.

One, Royal Hotels, has been floated on the Unlisted Securities Market and realisations have been agreed for five others. This compares well with the majority of their early competitors, as BES investment was undeniably trickier and riskier than early days.

Unfortunately, the first fund's present valuation is only 17 per cent above cost value. This reflects problems with Blue Ridge Care, a nappy manufacturer, which has been hit by intensive competition, both in price terms and by the popular new ranges of bleach-free "green" nappies. The extent to which one company can affect the fortunes of the whole fund is alarming.

As Colin Wattis, a businessman and shareholder in some of Lazard's other funds, said: "If I'd bought the first fund, I'd have been pretty annoyed at a 17 per cent return over the last five years. I like the idea of investing in young companies, but there is less incentive to invest in BES than there was five years ago because of the drop in the tax rate. I don't like assured tenancies much and I'm beginning to wonder whether the best way to invest in BES companies isn't by getting together with other investors

This year looks discouraging for the industry as a whole. In the six months to October, only £10.85m had been raised under BES compared with more than £105m by December last year. The majority of schemes which closed in October have been left undersubscribed.

| INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY |                |  |                      |                 |                   |                   |
|--|----------------|--|----------------------|-----------------|-------------------|-------------------|
|  | Quoted rates % | Compounded return for taxpayers at 25% | Frequency of payment | Tax (see notes) | Amount invested £ | Withdrawal (days) |
| <b>CLEARING BANK*</b>                              |                |  |                      |                 |                   |                   |
| Deposit account                                    | 4.50           | 4.80                                   | 3.68                 | monthly         | 1                 | 0-7               |
| High interest cheque                               | 6.50           | 6.70                                   | 5.26                 | monthly         | 1                 | 500-4,999         |
| High interest cheque                               | 8.00           | 8.20                                   | 5.84                 | monthly         | 1                 | 5,000-9,999       |
| High interest cheque                               | 8.40           | 8.70                                   | 5.96                 | monthly         | 1                 | 10,000-49,999     |
| High interest cheque                               | 8.80           | 9.20                                   | 7.36                 | monthly         | 1                 | 50,000            |
| <b>BUILDING SOCIETY</b>                            |                |  |                      |                 |                   |                   |
| Ordinary share                                     | 6.00           | 6.00                                   | 4.57                 | half-yearly     | 1                 | 1-250,000         |
| High interest access                               | 6.00           | 6.00                                   | 4.40                 | yearly          | 1                 | 500               |
| High interest access                               | 8.25           | 8.25                                   | 6.80                 | yearly          | 1                 | 2,000             |
| High interest access                               | 8.75           | 8.75                                   | 7.00                 | yearly          | 1                 | 5,000             |
| High interest access                               | 9.00           | 9.00                                   | 7.20                 | yearly          | 1                 | 10,000            |
| 90-day   | 9.00           | 9.20                                   | 7.36                 | half yearly     | 1                 | 500-9,999         |
| 90-day   | 9.45           | 9.67                                   | 7.74                 | half yearly     | 1                 | 10,000-24,999     |
| 90-day   | 10.00          | 10.25                                  | 8.20                 | half yearly     | 1                 | 25,000            |
| <b>NATIONAL SAVINGS</b>                            |                |  |                      |                 |                   |                   |
| Investment account                                 | 10.75          | 8.05                                   | 8.45                 | yearly          | 2                 | 5-100,000         |
| Income bonds                                       | 11.50          | 9.05                                   | 7.28                 | monthly         | 2                 | 2,000-100,000     |
| Capital bonds                                      | 12.00          | 9.00                                   | 7.20                 | yearly          | 2                 | 100 min.          |
| 34th issue*  | 7.50           | 7.50                                   | 7.50                 | not applic.     | 3                 | 25-1,000          |
| Yearly plan  | 7.50           | 7.50                                   | 7.50                 | not applic.     | 3                 | 20-200/month      |
| General extension                                  | 5.01           | 6.01                                   | 5.01                 | not applic.     | 3                 | 8                 |
| <b>MONEY MARKET ACCOUNT</b>                        |                |  |                      |                 |                   |                   |
| Schroder World                                     | 10.85          | 11.42                                  | 9.14                 | monthly         | 1                 | 2,500             |
| Provincial Bank                                    | 11.05          | 11.59                                  | 9.27                 | monthly         | 1                 | 1,000             |
| <b>UK GOVERNMENT STOCKS</b>                        |                |  |                      |                 |                   |                   |
| 8% Treasury 1991                                   | 12.85          | 10.22                                  | 8.66                 | half yearly     | 4                 | -                 |
| 8% Treasury 1992                                   | 12.85          | 9.77                                   | 8.45                 | half yearly     | 4                 | -                 |
| 10.25% Exchequer 1995                              | 10.94          | 8.23                                   | 6.77                 | half yearly     | 4                 | -                 |
| 8% Treasury 1990                                   | 11.69          | 10.90                                  | 10.43                | half yearly     | 4                 | -                 |
| 8% Treasury 1992                                   | 9.86           | 9.03                                   | 8.51                 | half yearly     | 4                 | -                 |
| Index-linked 2pc1992/95                            | 9.40           | 8.88                                   | 8.57                 | half yearly     | 2/4               | -                 |

|  |
|--|
| Lloyds Bank/Halifax 90-day: immediate access for balances over £5,000. A special facility for extra £10,000.   |
| Source: Phillips & Drew. *Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.   |
| 5 Source: Phillips & Drew. *Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax. |

## Speaking personally

All this has emphasised the need for the new owners of wealth to find ways of taking the right decisions about its administration and maintenance. The British public is ill-equipped to do this properly. Neither the education system nor personal experience has prepared people for the complex and interlocking series of decisions that they will have to make.

The increase in home ownership has brought with it a rapidly widening choice of types of mortgage and of methods of repaying them. Personal pensions are being enthusiastically received, as the sales figures show. Inheritances, previously the province of the wealthy, are now likely to be received by anyone whose parents have owned a house.

Inheritance, previously the province of the wealthy, are now likely to be received by anyone whose parents have owned a house.

Despite this, confusion reigns in the minds of most of the recipients of the barrage of promotional material, advertisements and articles. Language, as is so often the case,

is a barrier to understanding and most people, when they are confronted with the jargon of any discipline so effortlessly deployed by the pundits, are unwilling to demonstrate their ignorance.

This is a gap that John Edwards' book is designed to

fill. It is a glossary of terms commonly used in the financial world, with simple explanations of the meaning of the words and the significance of the concepts they describe.

It will certainly be of great assistance to anyone who wants to take an intelligent interest in their own financial affairs. People working in the City and on business pages of the press may also find it useful. The former group would include not only individuals interested in running their own money, but also professionals and businessmen who find the language of finance somewhat arcane. Also, new entrants to the financial industries who wish to master the secret signs of their trade quickly will find the book helpful.

It would, for instance, enable those fortunate enough to have qualities in high demand to differentiate between golden handcuffs, golden handshakes and golden parachutes,

although the author seems to suggest by omission that the golden hello has passed into the mythology of the Big Bang era. But the new world of regulation is well covered with explanations of the multitudinous acronyms like FIMBRA and LAUTRO that it has spawned, as are the technical terms in current use in banking, trade finance, life assurance and pensions.

There is also a useful list of addresses of regulators, trade associations and other relevant bodies for those who want to know more or register complaints.

It is inevitable that technical terms are used for reasons of precision and because of the law's requirement. This book will make the jungle less dense and I will be glad to have a copy on my bookshelf to consult on the many occasions when I succeed in confusing even myself.

\*Published this week by Grafton Books; price £12.95 hardback, £7.95 paperback.

dealing service for small investors, will be offering to sell privatised shares on the spot, with a minimum commission rate of £12 plus VAT.

Each afternoon, the Stock Exchange is running a programme of free talks on the following subjects: the gilt-edged and fixed interest market, the Stock Exchange real-time price information system, the Stock Exchange and inside the UK equity market, and options.

The Money Show runs from Thursday November 2 to Sunday November 5 at Olympia. Entrance is free.

**Sara Webb**

## Money advice

THE 1989 Money Show starts next week at the Grand Hall, Olympia, London.

This year there will be several special interest centres offering help and advice on topics such as green and ethical investments, investment trusts, unit trusts, futures, options, retirement planning, pensions, business start-up finance, Personal Equity Plans (PEPs), and alternative investments such as fine arts and antiques.

Meanwhile, GA Life has told independent financial advisers that its new development will not mean its support to individual financial advisers will be diluted. They still provide more than half GA Life's

## FINANCE &amp; THE FAMILY

## No tax on Treasury stock

MY GRANDMOTHER died in 1961, leaving an estate valued at around £10,000. Two properties were left in trust, one for my mother and the other for my aunt for their life-times. On their deaths, the one my mother occupied was to pass to my sister, and the one occupied by my aunt was to pass to me.

In 1983, my aunt had a stroke and, eventually, was moved to a nursing home. She was no longer able to administer her affairs, so a Court of Protection order was made. The property was sold and the capital invested to provide my aunt with some income from the sale.

My aunt was the last surviving trustee of my grandmother's will settlement but, because she was no longer capable of acting in this capacity, her daughter and I were appointed trustees of the settlement in September 1984, with a trust deed being completed formally. The proceeds from the sale of the property, £27,000, were invested in 5 per cent Treasury stock 1986/88.

My aunt died on April 6, 1989, and I instructed the solicitors dealing with her affairs to allow the stock to run to maturity in October, rather than selling and passing the money over to me as remainderman of my grandmother's estate.

As the stock is in the names of my cousin and I, as trustees, I wish to know if I will be liable for capital gains tax as the remainderman, or will I be entitled to the full amount of £27,000, as I understand that government stock is not normally subject to capital gains tax.

We are glad to say that there will be no CGT liability upon the redemption of the Treasury stock, by virtue of section 67 of the Capital Gains Tax Act 1979 (as rewritten by section 59 of the Finance Act 1986).

## Permit is needed

ON LOOKING through the deeds to our house, we have found an action sheet, dated 1871, that describes one of our timber-framed out-buildings as a cottage. On inspection, you can see clearly that the interior walls and ceilings were constructed of lathes and plaster, which indicates a high degree of finish not normally

## Q&amp;A

## BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

affordable to outbuildings.

Would we be within our rights to renovate this building into a dwelling house, or would we have to apply for local planning permission to do so?

You would still need to apply for and obtain planning permission if the out-building ceased to be a cottage before 1983.

## Drama over a musical

I HAVE regular profits' distributions from a long-running West End musical in which I have a modest investment. During this financial year, I have lost an entire investment in a provincial tour of a musical revival. He has to buy a house there and cannot sell the house in England until next year, due to the tenancy. There are two questions:

1. To gain CGT exemption over his period abroad, he should re-occupy the house on his return. He cannot do so. Has the Revenue inspector discretion to allow the exemption, nevertheless, subject to confirmation of the circumstances by the employer?

2. Unfortunately, you forgot to tell us whether your income from the long-running show is being assessed under case III (on the preceding-year basis) or case VI (on the current-year basis). It does, at least, seem clear that it is not being assessed under case I (on a slightly different preceding-year basis).

If you are a case VI angel, you have no problem. Your case VI loss on the flop is deductible from your case VI income from the hit (and from any other case VI income) by virtue of section 392 of the Income and Corporation Taxes Act 1988. All you have to do is submit a formal claim for your case VI loss, to be offset in accordance with section 392.

On the other hand, if you are a case III angel you face a

dilemma: 1. If you leave things as they are, the loss on the flop will be calculated according to the rules of capital gains tax and will be deductible only from chargeable gains.

2. If you ask to switch from case III to case VI (in accordance with the minister's written answer of March 1, 1983, column 101), your tax inspector will probably seek to reassess you under case VI rules for the past six years, which might produce an extra income tax bill depending upon the relevant figures for the past seven years.

## Exemption will stand

MY SON has spent two years in the Far East as export manager for a British group. While away, he has let his house in England (furnished), expecting to return. He has no mortgage. His employers are now bringing him home nine months early because they need him to take over management of an ailing business in Wales. He has to buy a house there and cannot sell the house in England until next year, due to the tenancy. There are two questions:

1. To gain CGT exemption over his period abroad, he should re-occupy the house on his return. He cannot do so. Has the Revenue inspector discretion to allow the exemption, nevertheless, subject to confirmation of the circumstances by the employer?

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where?" 2. The answer is NO (although we are not sure what you mean by "a new business loan" in this context). You could ask the tax office also for the free booklet on the tax treatment of interest paid, IR11, from which you will see that the assumption in the second sentence of the preamble to question 2 is not necessarily correct.

## CGT on valuables

IN THE summer of 1988 I sold silver, jewellery and sovereigns. These were all purchased in the early 1970s. All articles were of a personal or domestic nature. Do they attract capital gains tax?

The sovereigns are exempt from CGT (by virtue of section 19(1)(b) of the Capital Gains Tax Act 1979) unless they were minted before 1937. But the silver and jewellery are liable to CGT, except for any items (or sets of pieces) sold for a price below £2,000 (by virtue of section 128 of the CGT Act 1978, as amended by section 61 of the Finance Act 1982).

It will be necessary for each item (or set) which fetched more than £2,000 to be valued as at March 31, 1982 – market value, that is, not value for insurance purposes (which is generally replacement value).

The cost of ascertaining the March 31, 1982, value of each item (or set) should be deductible in calculating the chargeable gain.

For example, suppose the Inland Revenue agree that a silver tea service sold in July 1988 by private bargain for £3,150, having cost £1,000 in 1972, might reasonably have been expected to fetch a price of £2,000 on March 31, 1982, and that the cost of ascertaining that March 31, 1982, value was £100.

If you are a higher-rate taxpayer (for 1988/89), the CGT bill on that service would be £100, viz 66% per cent of the excess of the sale price over £2,000. If grossed-up to 16 per cent and the actual rate received by the higher-rate taxpayer would be 9.6 per cent.

A different method is applied to the interest received on guaranteed income bonds. Here, the higher rate tax of 15 per cent is payable on the actual return, so a quoted net

return of 12 per cent would be worth 10.2 per cent to the high-rate taxpayer.

The full impact of the recent rise in base rate to 15 per cent has yet to come through. As usual, it has tended to affect the cost of borrowing – including mortgages – first, and the banks and building societies have been much slower to increase the return to savers. David Black of Blay's Guide, which maintains a close watch on mortgage and deposit interest rates, says the picture is unlikely to become clear until November 1.

Nevertheless, some increases in the rates paid on deposit accounts are trickling through, mainly from the smaller societies and banks for specific accounts. At the same time, several of the banks offering Money Market Accounts (quoted daily in the *Financial Times*), which are linked to the wholesale sources of money, have put up the interest paid to very competitive levels, as shown in the accompanying table supplied by Blay's MoneyMaster.

With only certain exceptions, though, these are variable rates which would be marked down quickly if base rate was to be lowered. A few societies do offer a fixed return over a limited period, but it is more common to guarantee to maintain only a set percentage differential over and above the society's standard rate. The total return still varies if the standard rate is changed.

Banks and building societies also set a trap for higher-rate taxpayers. They pay a net rate, after deduction of composite rate tax, but for calculating the liability to higher-rate tax, the interest is grossed-up by a notional 25 per cent as the basis for calculating the extra 15 per cent tax payable. So, if you were paid a net rate of 12 per cent, this would be grossed-up to 16 per cent and the actual rate received by the higher-rate taxpayer would be 9.6 per cent.

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return of 12 per cent would be worth 10.2 per cent to the high-rate taxpayer.

## High returns and low risks

There's scope for profiting from interest rates, says John Edwards

rates won't go even higher. If you believe inflation will continue to rise, then the best bet is index-linked National Savings certificates. To earn the highest rate of interest, 4.04 per cent above the rate of inflation, you have to hold the certificates for five years. But you can cash them at any time after 12 months and still receive 3 per cent above inflation. So, if inflation averages 7.5 per cent over the 12-month period, you would receive 10.5 per cent tax-free. The drawbacks are that the maximum investment is only £5,000 and that you are gambling on the rate of inflation.

The recent rise in interest rates has made the other National Savings products even more uncompetitive, with the exception of Capital Bonds for non-taxpayers. Since the government no longer relies on National Savings to raise additional funds, it seems unlikely that it will bother to increase the rates to more attractive levels.

Gilts (government securities) are the other obvious alternatives to shares. They moved up sharply on Monday in response to the possibility of interest rates being cut to avoid a collapse in the share market. Now that seems unlikely to happen and, indeed, there could even be a further rise if sterling comes under renewed pressure. Gilts are a highly volatile (and, therefore, dangerous) investment unless you are prepared to hold them until maturity. In that case, you can calculate your return over the years precisely.

It can be argued that now is a good time to buy gilts if you believe that interest rates have peaked. But this is a speculation since, at present, the returns are not competitive and the market is distorted by the government's buying-in policy.

## GUARANTEED INCOME BONDS

| Name            | Term | Minimum years E | Minimum £ | Net % | Interest paid |
|-----------------|------|-----------------|-----------|-------|---------------|
| New Direction   | 1    | 1,000           | 4,000     | 11.75 | yearly        |
| New Direction   | 1    | 5,000           | 14,995    | 11.90 | yearly        |
| New Direction   | 1    | 15,000          | 24,000    | 12.00 | yearly        |
| New Direction   | 1    | 25,000          | 39,995    | 12.10 | yearly        |
| New Direction   | 1    | 100,000         | 14,995    | 12.20 | yearly        |
| Regency Lite    | 1    | 5,000           | 14,995    | 12.30 | yearly        |
| Regency Lite    | 1    | 15,000          | 24,995    | 12.40 | yearly        |
| Regency Lite    | 1    | 25,000          | 39,995    | 12.50 | yearly        |
| Regency Lite    | 1    | 100,000         | 14,995    | 12.60 | yearly        |
| Premium Life    | 3    | 1,000           | 10,000    | 10.60 | yearly        |
| Premium Life    | 3    | 10,000          | 10,200    | 10.70 | monthly       |
| Canterbury Lite | 5    | 1,000           | 100,000   | 10.00 | yearly        |
| Hill Samuel     | 5    | 5,000           | 100,000   | 10.30 | yearly        |

Source: Blay's MoneyMaster

## BEST RATES OF RETURN

| Institution             | Account name | Net % | Not compounded |         | Notice period | Minimum deposit |
|-------------------------|--------------|-------|----------------|---------|---------------|-----------------|
|                         |              |       | 25% Tax        | 40% Tax |               |                 |
| Standard Property       | Int current  | 11.35 | 11.25          | 9.08    | Immediate     | £1              |
| Wimbledon & SW          | High int chq | 11.35 | 11.84          | 9.47    | Immediate     | £500            |
| Western Trust & S       | High int chq | 11.35 | 11.84          | 9.47    | Immediate     | £25,000         |
| Humberlyde              | High int chq | 11.73 | 12.20          | 9.80    | Immediate     | £50,000         |
| Allied Trust Bank       | 1 month      | 11.35 | 11.98          | 9.57    | 1 Month       | £2,001          |
| First Direct            | 30 days      | 11.50 | 12.13          | 9.70    | 30 days       | £50,000         |
| Confederation Bank      | 90 day inv   | 10.57 | 11.00          | 9.80    | 90 days       | £500            |
| Confederation Bank      | 90 day inv   | 10.94 | 11.40          | 9.92    | 90 days       | £50,000         |
| Confederation Bank      | 90 day inv   | 11.13 | 11.60          | 9.98    | 90 days       | £20,000         |
| Confederation Bank      | 90 day inv   | 11.49 | 11.95          | 9.60    | 90 days       | £25,000         |
| Nottingham BS           | Anniversary  | 11.68 | 12.00          | 9.80    | 1 year        | £5,000          |
| Bradford and Bingley BS | Max elite    | 11.75 | 12.10          | 9.85    | 1 year        | £10,000         |
| Town & Country BS       | Classic      | 12.00 | 12.00          | 9.80    | 1 year        | £25,000         |

Source: Blay's MoneyMaster

## THE INTERNATIONAL DRINKS INDUSTRY

The Financial Times proposes to publish a Survey on the above on

22nd November 1989

For a full editorial synopsis and advertisement details, please contact:

Jonathan Wallis

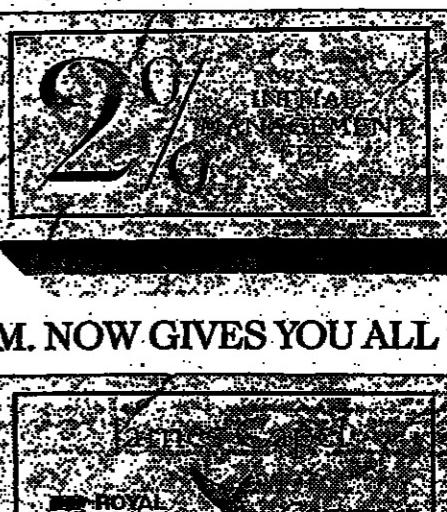
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## MINDING YOUR OWN BUSINESS

# There's money in taking care

Roy Hodson examines a sector with increasing appeal

**OWNING NURSING** and residential care homes has become altogether more professional and specialist than it was before the Registered Homes Act 1984 became law four years ago. Anyone thinking of entering the sector will soon detect that it has undergone some radical changes during that time. Traditional concepts of the "old people's home" have been replaced largely by a brisker type of organisation with a business plan as well as a mission statement.

It is also a business which has the peculiarity of involving a high degree of interaction between the private sector owners and managers, the health service, and local authority social services. For that reason, it is unlikely to be a "business" for the single-minded entrepreneur who is not over fond of co-operating with bureaucracies.

That proviso apart, there are a number of appealing aspects to running a residential care or nursing home as a small business. So appealing, in fact, that nearly 1,000 homes have been changing hands every year - and 63 per cent of people starting them up are first-timers who have never owned a business before.

A couple with limited means, but confidence that they have the drive, tenacity and practical experience to buy and manage a home, will find the banks and financial institutions better disposed generally to such a project than many other types of business venture.

The homes themselves provide excellent brick-and-mortar security. And the institutions specialising in that area of lending know that a precise financial plan can be drawn up, for the finances involved usually are straightforward. The number of residents the home can accommodate is known, the fee income can be assessed accurately, and the running costs are calculated easily.

So long as the proprietors manage their establishment efficiently, and keep all the residents' rooms occupied, they can look for a gross profit of between 30 and 40 per cent on turnover. That figure is after paying staff salaries and food bills but before paying their own salaries and servicing debt. Homes are exempt from

rates (providing the owner applies to the council).

The downside - for ambitious entrepreneurs - is that the turnover of a home is limited by the nature of the business. You can expand only by building more rooms or opening another home. There is little latitude to increase profits by charging higher fees than the competition.

Homes are safe in business terms; few of them go bust. And it is because of the nature of the investment that comparatively large sums can be borrowed to buy and convert former large private houses or mansions. There are few other areas of business where a couple planning their first venture may be able to raise £500,000 or more.

The Thatcher Government is

encouraging the long-term growth of nursing and residential care homes, both to relieve pressures upon the public sector and to help take account of an ageing population requiring more care facilities all the time. And since the ground rules for running homes became clearer with the 1984 Act, there has been a 50 per cent expansion in their number in England and Wales. About 15,000 are registered now with an average size of 14 bedrooms accommodating 12 people.

Clearly, the rate of increase in homes during the past few years has been exceptional. But while the latest signs are that the boom is tailing off, the trend for existing homes to be expanded and re-equipped to pay higher standards is likely to continue vigorously.

John Howard is managing director of Christie & Co., a company specialising in selling care homes. He says individuals and companies are more ready than ever before to build on existing sites as well as on green-field sites of up to an acre; and he believes the optimum size of new purpose-built homes will be for 40-plus residents.

Maximum fees payable by local authorities for accommodation in privately-owned residential homes range from £140-£200 a week, depending upon the elderly person's age and physical and mental state.

Staffing levels in nursing homes are high. Indeed, in order to cover shifts, smaller homes often have more employees on the pay-roll than the number of patients living there.

Property prices now depend very much upon the quality of the individual home and, above all, its location. The demand for places in homes is highest in the south of England, where properties are most expensive (although families able to pay private fees are concentrated heavily in the south).

The stricter rules governing nursing homes require that the "person in charge" at all times of the day and night should be qualified suitably, which means either a resident doctor or a top-level nurse (called First Level in the profession). Often, she will be a former ward sister with nursing and administrative training.

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## MOTORING/DIVERSIONS

HERE ARE more "best car of the year" awards than a motor manufacturer could shake a gearstick at, but the one that counts is the European Car of the Year contest which started in the 1960s when the Rover 2000 triumphed. The winner is decided by a jury of 58 motoring writers from 17 countries. Each has 25 votes, but no more than 10 can be awarded to any one car.

They are independent of the car-makers although liable to be influenced by such human frailties as nationalism and prejudice. Thus, a Japanese car, however deserving, has never won the award. For that matter, I don't suppose a European car will win the Japanese equivalent.

But does the award always mean the car is an outstanding piece of merchandise, a best buy in its class and destined for great commercial success? You have only to look down the list of past winners to see it does not; the Austin 1800 (1965), Chrysler Alpine (1976), Rover 3500 (1977), Chrysler Horizon (1979) and Renault 9 (1982). They were variously unreliable, tatty and boring, or put together with so little care they disgraced their maker's name.

There have, though been some trend-setters that deserved the award: the Renault 16, for example, an odd-looking but comfortable and practical hatchback (winner in 1966); the Fiat 124 (1967), pensioned-off years ago in Italy but, as the Lada Riva, still the mainstay of Soviet car production; and the NSU Ro80, a superbly designed and styled saloon of 21 years ago. It looks good today but was a commercial disaster. Its Wankel rotary engine wore out rapidly and had a diabolomaniac's thirst. The Ro80 broke NSU, which was later absorbed by Volkswagen.

Worthy winners in more recent years included the Citroen GS of 1971, a hotbed of innovation in the family car class; the Fiat 127 (1972), first of the super-minis and inspiration for Ford's first long-lived Fiesta; and the Citroen CX of 1978, a designer's dream of a car.

Curiously, the endlessly best-selling VW Golf did not win the award, although clearly it would have done had it not been up against the CX. The ever-popular, front-wheel driven Ford Escort won in 1981. (That year was the only time I was right in my forecast of the first three past the runners-up were the Fiat Panda and Austin Metro, in that order.) The Fiat Tpo



The Ford Fiesta Ghia... looks likely to battle it out with Citroen for the coveted award

## A triumph for France?

*Stuart Marshall tips Citroen's XM as Europe's Car of the Year*

(1989) deserved to be Car of the Year as did the Peugeot 405, an overwhelming winner in 1988.

And this year? The 14 entrants at the starting gate (eight of them Japanese, six European including one from Czechoslovakia) are the Audi V8, the Citroen XM, Daihatsu Applause, Ford Fiesta, Honda Accord, Mazda 323, Mercedes SL, Nissan Maxima, Nissan Prairie, Nissan 200SX, Skoda Favorit, Subaru Legacy, Suzuki Swift and the Volkswagen Corrado.

If any of the Japanese cars was European, it might be in the running. As it is, I think the Citroen XM and Ford Fiesta are the likeliest winners, with my money on the XM beating the Fiesta by a short head.

The XM is an inspired shuffling of components used on the more conventional Peugeot 605. It feels and rides exactly as expected of a Citroen but has none of the oddities that used to put people off the marque. It is also good value for money.

The jury takes this into account along with safety, handling, economy, styling, comfort, performance, practicality and driver satisfaction.

The Ford Fiesta, designed to up-stage Europe's leading super-mini, the Peugeot 205, breaks no new ground but is an excellent car. It rides as

well as any in its class and better than most, with a wheelbase longer than the Ford Escort. Buyers have a choice of power units, with carburettor or fuel-injected petrol engines and a diesel of realistic capacity (1.8 litres). Bodies are three- or five-door, transmissions five-speed manual or continuously variable automatic. Prices were not increased when the model changed.

After the likely winner and runner-up, there are several each-way bets. The Mercedes SL convertible will win votes for its superb quality, the best fully-automatic folding hood yet seen, and its concealed (but instantly-deployed) roll-over protection bar. Mazda's 323 range of three- and four-door hatchbacks and four-door saloon, launched simultaneously and looking quite dif-

ferent from one another, are refined, have outstanding palm-work and are fitted with power-assisted steering. That is sensible marketing, they could win.

Of the Nissans, I suspect the sportingly elegant 200SX – powered by a 1.8-litre, turbocharged, 16-valve engine – could attract more votes than the two- or four-wheel driven Prairie "people mover" or the Maxima, the European-style executive saloon. The jury likes fast, inexpensive cars such as the 200SX.

Honda's new Accord, which looks rather like the old one, will score some points simply because it is a Honda, with all that means for quality and advanced technology such as availability of four-wheel steering. The three other Japanese – the Daihatsu Applause,

Subaru Legacy and Suzuki Swift – will end up at the back of the field. They are not poor cars – to judge by their specifications, quite the reverse – but they are from relatively small, lesser-known manufacturers.

Audi's V8, the first large, luxury-class saloon to have four-wheel drive and automatic transmission, was received less than enthusiastically at its launch a year ago. It was felt to be a bit soft compared with other Audis and to lack some of the refinement of its rivals such as the BMW 7-series and Mercedes S-Class. I don't rate its chances too highly.

The VW Corrado is attractive to look at and goes very well. But the jury might well wonder if a VW-badged, Golf GTI-based sports car can justify a higher price than, say, a Nissan 200SX or Toyota Celica GT.

I doubt that the Skoda

Favorit will be the tail-end, if only because it represents a quantum leap in design by east-European standards. Skoda is still making rear-engined family cars, although the rest of Europe dropped them a generation ago.

Were I making a book on Car of the Year my odds would be:

Evans: Citroen XM, Ford Fiesta 2-1; Mercedes SL; 3-1; Mazda 323; 7-2; Nissan 200SX, Nissan Prairie, Honda Accord; 10-1; Audi V8, Nissan Maxima, VW Corrado; 50-1; Daihatsu Applause, Skoda Favorit, Subaru Legacy, Suzuki Swift.

The result will be known early in December.

## Rich fare in Tokyo

OF ALL the motor shows, the one not to miss is Tokyo's, which opened to the public yesterday and closes on November 6. This year, it is being held for the first time at the new Nippon Convention Centre, half-way between Narita airport and downtown Tokyo.

It is one of the world's biggest, with more than 1,000 vehicles on display. And if there is another show to which you can call in a scheduled 2,000-tonne ferry ship, I haven't heard of it.

With the Frankfurt show

only a few weeks past and London's Motorfair still on, going to a third show is like attending a banquet three nights running. It gives automotive indulgence. All the cars seem to merge into a multi-coloured mass of metal, glass, plastic and rubber.

But apart from being dazzled by the display of Japan's automotive genius – the word is not too strong – I took the opportunity to drive some of Nissan's latest cars on a proving ground.

More of this next week.

## Bridge

The next hand comes from an Individual Contest held at Deauville a few years ago.

N  
Q 7 5  
Q 8 9 7  
8 6 2  
K J 5  
W  
A K J 3 2  
6  
A 10 7  
7 6 3 2  
E  
10 9 8 6 4  
4  
Q 1 9 3  
Q 10 9  
S  
A K J 8 5 3 2  
K 5 4  
A 8 4  
N  
A 7 6 4  
A 10 5 3  
8 7 3  
Q 3  
W  
K 1 10 2  
K 8  
3 4 2  
J 9 7 5  
E  
9 5 3  
7 2  
K Q J  
10 8 4 2  
S  
Q 8  
Q 9 6 4  
A 10 9 6  
A K 6

I dealt in the South seat with East-West vulnerable and started the bidding with one notrump – on the right side, but the "undergrowth" is good. North bid a Stayman two clubs and raised my response of two hearts to four. West led the club five. This is the type of hand in which you have to feel your eye. Would you duck?

West held king and eight of hearts plus the club knave.

Dummy held ace, 10 and five of hearts.

East had the knave, seven and two of hearts while I had queen, nine of hearts and the diamond 10. I led the 10, ruffed with dummy's heart 10 and East, of course, over-ruffed. But nothing could prevent me making the last two tricks, for East had to lead into my spilt trump tenace.

Winning with dummy's queen, I played the four of spades, which ran to queen and king. West returned the knave, taken by the ace, and a third spade was ruffed in hand. I now led my diamond nine. East won with the knave and played back the king to my ace. I made ace and king of clubs, throwing dummy's diamond loser, and ruffed my six of diamonds. The seven of spades was returned and ruffed in hand to leave a three-card position.

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E. P. C. Cotter

## Chess

before the match, never seemed to convince himself that the *emience grise* of Soviet chess was there for the taking. At last, in the final game, Karpov played like the champion we know and won by a powerful and sustained attack.

White: A. Karpov.

Black: A. Yusupov.

Queen's Gambit (Pilkington Glass world semi-final 1989).

1 d4 Nf6 2 c4 e5 3 Nc3 d5 4 Nc3 Be7 5 Bg5 0-0 6 h3 7

8 h4 Nf6 8 Bxf7 9 Rxf7 10

10 Bd3 Nxc3 11 Bxc3 dxe4 12

Bd4 Nf7 13 0-0 e5 14 Bb3

exd4 15 exd4 Nf6 16 Rcl Qd5

17 Ne5

Karpov blitzed out his early moves, 13 in one minute, and Yusupov was hustled into error.

In this ancient Queen's Gambit, Black should avoid it, which weakens the g3 square; later 13... b5 is safe. Even after 17 Ne5 theory gives 17... Bxf3 18 Bxf3 Qxf3 19 Qxd4 20

Qxf6+ with a draw.

18 Rg3 Bf5 19 Qh5 Bf7 20

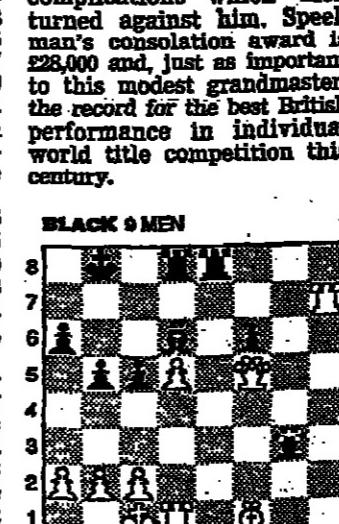
Qxf6.

White has decisive threats,

since Black must weaken the pawns drastically round his king. Around this stage, Yusupov's chief aide was seen to turn pale, rush out of the press room, to the bookstall and thumb hurriedly through a reference book on openings; Yusupov had forgotten their

decider was when Speelman could have won a pawn with at least a safe draw, but preferred complications which then turned against him. Speelman's consolation award is £28,000 and just as important to this modest grandmaster, the record for the best British performance in individual world title competition this century.

BLACK 9 MEN



a b c d e f g h

WHITE 9 MEN

8

7

6

5

4

3

2

1

h g f e d c b a

THE FAVOURITES, Anatoly Karpov of the USSR and Jan Timman of The Netherlands, each won by 4½-3½ in this month's Pilkington Glass world semi-finals at the Sadler's Wells Theatre, London. They meet next spring in a final eliminator to decide who challenges Gary Kasparov for his title in October 1990.

Karpov's series against compatriot Artur Yusupov, and Timman's against Jonathan Speelman of Britain, both were tied at 3½-3½ going into the eighth and decisive games. Then, the losers were caught by their relative inexperience of match chess crises.

In play both series was fluctuating and uneven, with many unforced errors. Justice probably was done at the end; but the real victor was Kasparov, who can feel even more confident of retaining his crown for many years to come.

The major surprise was how close Yusupov came to an upset; he lost from a winning position in game three, won the best game in either match in game five, and missed clear chances in games two and seven. Karpov was caught out repeatedly in the opening, and often looked uncomfortable physically.

What saved him was that Yusupov, with a score of 6½ in decisive games against Karpov

## The 'victory' for women that turned to ashes

*Victoria Schofield on a revolution that wasn't*

WOMEN and children armed with pikes and scythes gathered from all parts.

The dregs of the population brutalised by drink." In her memoirs Madame de Staél thus describes with indignation how a crowd of 6,000 women marched to Versailles on October 5, 1789 years ago.

Some were riding on cannons, others carried sticks, cudgels and knives. Their journey from Paris in pouring rain took six hours.

"They had come asking for bread," wrote Madame de Staél in her *Journal de la Famille de la Marquise de Staél*.

A young flower girl gained an audience with the King and begged him to ensure that Paris was supplied with corn and flour.

Louis XVI granted her request, and some of the women returned to Paris.

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Austria: trying to make the ski slopes "green"

## The hills are alive, but only just

*Arnold Wilson discovers why the Austrians are becoming so environment-conscious*

AUSTRIAN SKI slopes have gone green. For skiers desperately hoping that Mother Nature is going to get it right this winter and de-luge the Alps with an ocean of perfect snow, this sounds like dismal news. Fear not. The greening of the mountains is a result of environmental pressure, not lack of snow.

Austria's most up-market resort, Lech, the haunt of Europe's royal and rich, recently flew 30 European environmental writers to witness Austria's attempts to "put something back" into their resort after decades of damaging the ecology by virtually skiing it into the ground. To be fair to Lech and some other resorts, this process started in the early 1960s.

But recently there have been increasing pressures from environmentalists who claim that more and more swaths being hacked through trees – already under attack from acid rain – are undermining the very structure of the mountains, causing a threat to the natural environment and an increased risk of avalanche. In addition, earth-moving vehicles churn up the topsoil and dump relatively barren earth on top of the slopes.

Austrian resorts which have been trying to redress the balance are a trifle inignant about this adverse publicity. They resent being tarred with the same brush as other countries which seem to be exploiting the skiing industry without giving a damn about long-term environmental consequences.

France, perhaps predictably, is said to be ignoring the problems. Even the Swiss, according to correspondents attending our gathering, are doing nothing.

Erwin Lichtenegger of Klagenfurt's Institute of Plant Sociology was quickly nicknamed "The Green in Red" because of the bright red two-piece protective clothing he wore as we clapped, frozen and soaked to the epidermis, around the Kriegerhorn to see from the front line the environmental battle being waged. Even on skis, in a blizzard in the depths of winter, I have rarely seen so cold.

Lech, an attractive old village, epitomises more than most the rags-to-riches syndrome of impoverished Austrian settlements finding undreamt of wealth in skiing. "People used to starve to death here," said Michael Manhart, Lech's resort manager and co-owner. "Without tourism, there would be nobody left." Lech is spending about \$20,000 each year on a variety of measures – some experimental – to combat erosion of soil, plant cover and trees.

The principal measure is to apply large quantities of Biosol, an organic fertiliser made as a by-product of the production of penicillin. Others include shallow drainage ditches dug on some slopes and lined with netting, usually nylon, but sometimes made of costly stainless steel. Fences have been built to stop powerful winds sweeping away the soil. Thousands of young fir trees are being reared from seed at lower altitudes, where they grow more quickly, and, after six years, replanted higher up in their natural environment. The same over a much shorter time scale is

being done with alpine plants and grasses.

Once sturdy plantlife transplanted from lower down the mountain has got a grip on higher areas above the treeline, the natural flora for that altitude gradually rehabilitates and takes over again.

A popular concept is that trees are a more important soil-binding agent than grass, but Austrian soil experts claim that grass cover is more critical.

Animals, however, can be something of a problem – not least for the skier. Sheep, cattle and wild deer have their uses and abuses. Sheep keep the grass nice and short; a good effect because short grass generates a stronger binding effect. But sheep also tend to nibble the grass too short.

Cattle and deer don't do this, but they tend to leave the grass too long. And all grazing animals cause havoc among young tree Klans.

Katzensteiner, an earnest young man from the Institute of Forest Ecology in Vienna, emphasised that animals must be kept out by fences from areas where trees are being replanted.

Manhart claims that for every tree chopped down to make way for a skiing development, 1½ trees are replanted. Austria's forests are getting larger and larger, not smaller and smaller," he says. "But we're not doing this just for the environment's sake. We're doing it for our own benefit. We, too, want to live in nice surroundings."

Dr Stefan Naschberger said that Biosol, which costs about \$200 a ton, was now being tried out in parts of coastal Scotland threatened by erosion. And north American ski resorts had also suddenly woken to the problem that their high regions, too, were losing vital vegetation, and had launched a programme similar to the one in Austria.

At one stage of our mountain tour, Manhart, whose grandfather started Lech and neighbouring Zurs, turned to a writer from Paris and asked him what the French were doing about environmental problems in their ski resorts. "What is your Government doing?" he demanded. "Is it sleeping?" Response came there none.

Even man-made snow – a dire necessity in recent snowless starts to the season – was cast as an environmental sin (although resorts which do not have it tend to justify its absence by claiming that it pollutes with nature). But Manhart was adamant. He claims that his 13 fan guns and 36 compressed air guns and 50 littered the lower slopes of the Kriegerhorn and other areas provide a protective layer of snow under which the mechanism of plant life flourishes.

Manhart's "Arbergs Jet" snow cannons, which last year sprayed out 200,000 cubic metres of snow at a cost of about \$50 a metre, have featured in a coup of coal-to-Newcastle proportions. By learning about snow-making techniques in the early days in North America, then re-designing the machinery to increase output and efficiency, as well as lowering the noise, he has been able to sell his "new improved" cannon back to the Americans. "I returned to America with a snow gun in my suitcase. It was my version that won the contract for the

Winter Olympics two years ago in Calgary." Even now, the Italian manufacturing company which markets his version is selling them to the Japanese.

Manhart even produced the quintessential Austrian farmer, Erich Joghun, a 62-year-old dairyman, who, not surprisingly, doubles as a ski-instructor in the winter, to testify that man-made snow is good for farmers.

As my Austrian mountain guide friend, Joe Mellau, often says: "It's a hard life in the mountains, but not hopeless." One must hope that this will also be true for the besieged environment.

There is no mystery about the construction of the present place. Tom Harding, Josie's husband, built it, entirely of local timber and entirely by hand. His craftsmanship and attention to detail are everywhere; the beautifully fashioned louvred shutters on every window open and close with such ease that it comes as a shock to realise that every moving part was made up here, miles from the nearest factory.

**T**HE MAP describes Gallon Jug as "deserted," but when the light plane bringing me in banked for its final approach I could see how out of date that was. Gallon Jug, a settlement in the north west corner of Belize, is far from deserted. There are handsome colonial-style houses, with red roofs and circling verandas, perched on the hills. There is the framework of new stables to house 15 American quarter horses, for hire to visitors. And there was Josie Harding, from Chan Chich Lodge, standing by to pick up waiting tourists.

During the five miles or so from the strip to the lodge, along well-made roads surfaced with local limestone, I got my first glimpse of the rainforest, or more accurately of the jungle that fringes cleared areas. The overwhelming impression was one of complexity and stillness. Everywhere the greenery was different, and yet the same. I also got a potted introduction to the area.

Gallon Jug is an old logging camp, built when British Honduras supplied some of the finest mahogany in the world. It has been rescued from oblivion by Barry Bowen, one of the biggest businessmen in Belize, as the centre of his plan to revitalise 150,000 acres of rainforest. He has installed a saw-mill. He has started experimental farms, for Belize is barely able to feed itself, and he has built a fine village for his workers. That sounds like a recipe for disaster, a private fiefdom whose owner is intent on razing yet another tract of rainforest in the name of development. But nothing could be further from the truth, as Chan Chich demonstrates.

Chan Chich is a luxury lodge dedicated to a new breed of traveller, the eco-tourist determined to experience the natural attractions of wild places. Without the rainforest, Chan Chich loses its appeal. Without the visitors, the locals lose their jobs and might have to cut down forest to grow crops. Together, both survive.

The lodge is in the plaza of an ancient Mayan ceremonial temple. It consists of a dozen thatched cabanas, roomy and high-roofed to encourage natural air conditioning, and a larger, central building that houses the kitchen, bar, and dining room. Beyond the cabanas, 14 Mayan mounds stand over the clearing, and as night falls their darkening shapes invite all manner of speculation about the people who first built this place.

There is no mystery about the construction of the present place. Tom Harding, Josie's husband, built it, entirely of local timber and entirely by hand. His craftsmanship and attention to detail are everywhere; the beautifully fashioned louvred shutters on every window open and close with such ease that it comes as a shock to realise that every moving part was made up here, miles from the nearest factory.

The food is superb, too. But nobody is going to visit Chan Chich to examine the carpentry or savour the food; those are simply unexpected bonuses. The real purpose of any visit must be to get into the rainforest.

That proves surprisingly easy. There are already several trails of cleared paths around the lodge, and within 50 yards of leaving the road you are deep within a strange new world. Tree tower overhead, their tops out of sight. The air is still and heavy with humidity and the buzzing of unseen insects. Birds whistle and warble and buzz, but seldom do you see more than a shadow flitting between the leaves. Familiar but improbably vast house-plants scramble up the tree trunks, while orchids and bromeliads cling to every surface.

It is also remarkably easy to get lost. The sunlight filtering through the leaves provides no good directional clues, and though I pride myself on my navigational abilities I managed to become completely turned around without even suspecting it.

The oddest thing is how bereft of life the rainforest seems. In detail, there are creatures everywhere: ants scurrying up and down branches, spiders jumping about in the leaf litter, small lizards that crackle away as one approaches.

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But the overall impression is of plants and plants alone. Some animals you can depend on. As evening falls, and the daily rain clouds gather, a strange unworldly growling from beyond the Mayan mounds summons a small crowd from the lodge. We know that it is a male howler monkey bellowing out his ownership of the area. And we know where he is, somewhere above us. But until one of the troop moves, disturbing the branches, the animals are all but invisible in the canopy.

You can also improve your chances by going out lamping on a night drive, looking for eyes shining back at you and hoping that some will be genuine tigers' eyes. On my trip, none were. But there were nightjars, whose eyes glow red and white, and a bird-eating spider, whose legs hang off the edge of a large saucer, sauntering across the road with eyes glinting bright green. In the clearings, far from the road, gleamed silvery-white eyes attached to ghostly shapes, most likely Zorro, the grey fox.

Anyone whose expectations are based on experience of the African savannah, where the animals move or less defy you to ignore them, is in for a shock in the rainforest. The creatures are there – 237 species of bird at the last count, for example – but they are not obvious. You will also be doing your bit to preserve the rainforest. Chan Chich and its surroundings are being managed for conservation by the Programme for Belize, a charity that is buying an adjacent chunk of rainforest and has been asked by the Government to draw up plans for a series of reserves throughout the country.

The area around Chan Chich is one of the few remaining expanses of rainforest in central America, and Belize is in a unique position to save it. The country is the size of Wales, but there are fewer people than in Reading. So there is time to devise a management regime that will provide for the people without destroying the rainforest.

Under the Programme for Belize many areas will be preserved from all human interference, while some will support sustainable development. Eco-tourism is one kind of development, but there are others. Selective logging for mahogany, if it is controlled, does no damage to the rainforest and may indeed enhance it. Jaguars, for example, patrol old logging roads in search of food, and do better where there are a few such tracks.

The sapodilla tree is another natural resource. It provides a rubbery sap called chicle, which can be turned into Chiclets chewing gum. Synthetic chicle destroyed the market in the 1950s, but a resurgence of demand for natural chewing gum, particularly among the Japanese and Italians, is once more making it profitable for the chicleros to go out into the rainforest and tap the wild trees.

This bit of rainforest can survive, but only if it is more valuable alive than dead; Chan Chich is part of its life-support system.

Flights leave Houston and Miami for Belize City every day. You can drive to Gallon Jug, or charter a plane – about \$60 (240). Chan Chich charges \$50 per person per day for everything except drinks. In the dry season (January to May) there are fewer and fewer visitors, and more orchids. Contact Tom and Josie Harding, Chan Chich Lodge, PO Box 37, Belize City, Belize, Central America. Tel: 501-2-77651. Fax: 501-2-77652. You can find out more about the Programme for Belize from PO Box 99, Saxmundham, Suffolk.



Chan Chich lodge on the edge of the Belize rainforest

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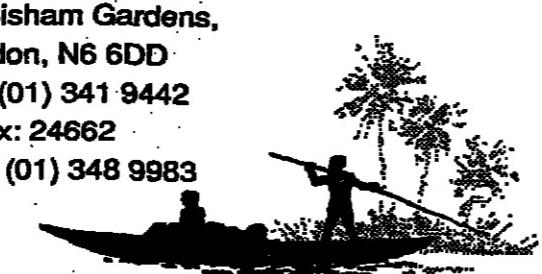
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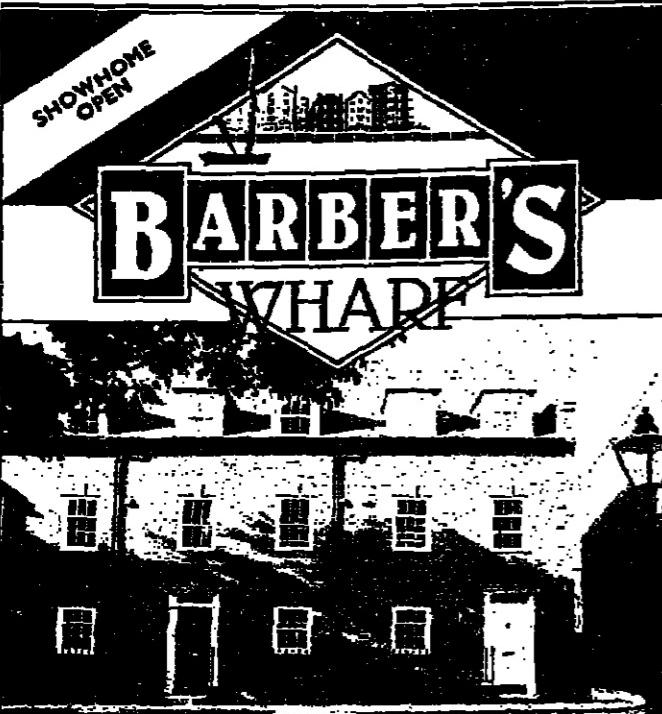
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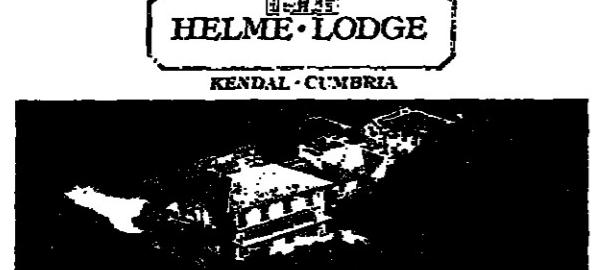
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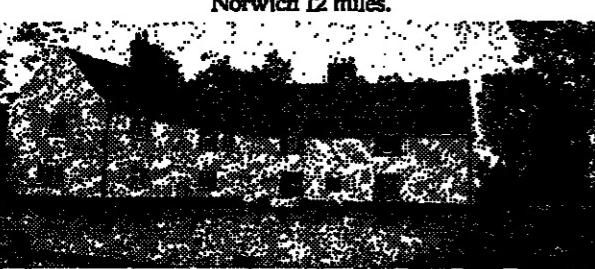
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## PROPERTY

## When vendors are victims - and prey

John Brennan examines the problems and pitfalls facing sellers in today's dog-eat-dog market

**V**ENDORS WHO succumb to the pressures of bargain-hunters are obvious victims of the instability of today's market. Estate agency standards are another less obvious, but just as vulnerable, potential victim.

Sales agents' commission charges are competitive, and vendors and agents have plenty of latitude to negotiate the rate for specific properties. When homes are selling as fast as they can be put onto the market, vendors can and do shop around to get the cheapest sales costs.

When the market is tough, or if a particular property is likely to need a greater-than-usual marketing effort to achieve a good price, it is common-place for an owner to agree to pay for extra advertising costs, or to work out a sliding scale commission - 15 per cent if the sale is achieved at one figure, 2 per cent if it is above another, and so on. What is not accepted so readily is the phenomenon of the negotiator's "incentive". Professional agencies differ markedly on their attitude to these cash encouragements.

In a letter circulated widely to house agents in London recently, Egerton passed on

news of a vendor's offer to pay £20,000 to whichever negotiator achieved a sale, for £3.8m or more, of a property in Holland Park with a £2.55m asking price. That payment would be in addition to the normal arrangement of a shared commission if another agency introduced the buyer to Egerton's client.

Chesterfield & Co has passed on to fellow-agents a similar offer - in its case, a £10,000 "bonus" to whichever negotiator sold a £1.8m house. In both cases, it was left up to the partners or directors of the other agencies to decide whether to take the cash as extra commission, or follow through the offer to hand over a vendor's cheque to the lucky deal-maker personally. Individual homeowners are also circulating such offers to agencies. They also relate to the extent to which the housing market has drifted towards a degree of

bounty-hunters who catch purchasers and nail sales.

These circular letters raise a couple of thorny questions. Is adding such a cash payment a crude but rational marketing ploy, or is it an outrage? And does it really matter either

taking that approach to its logical conclusion, anyone who is really keen to sell their home would need to enter into a cash auction, competing with their agent's other vendor clients to attract the attention of its negotiators.

The case that vendor bonuses are a crude, but ratio-

nism to absurd extremes. And if personal cash incentives really are a fair and reasonable way of inspiring extra effort, that would seem also to undermine the vendor-agent relationship if you are a client paying for that agency's best efforts on the basis of pre-agreed commissions and costs.

George Pope, chairman of John D. Wood, feels strongly enough about offers of big cash incentives for negotiators to call the practice "distressing", "disgraceful" and "nothing short of bribery". However, you regard the issue, it highlights the argument that, in an age of increasingly regulated and tightly-policed markets, the £50m-plus a year UK property transfer business remains a jungle. Periods of change and uncertainty transform normally honourable people into gazzumping and gazundering buyers, or into vendors who scarcely blink while instructing their agent to walk away from an agreed sale if a better offer comes along.

Cash payments to whi negotiators' attention are hardly out of context against that background. The only curiosity is that any estate agency would confirm so openly that some of its clients are more equal than others.

way? The answers depend on whether you regard a relationship with an estate agency as a professional matter, or whether the agency is treated as a convenient access to a group of market traders. They also relate to the extent to which the housing market has drifted towards a degree of

whose territory ranges from West Hampshire and Dorset to Wiltshire - reports: "Even after six months or more of having their houses on the market, with little or no interest being shown, vendors do not appear to lack confidence."

Challenging the thesis that nervousness among vendors has thinned the supply of country properties, Henry -

only afford so much a month."

The flaw in the logic is the assumption that there are any realistic vendors or rational home-buyers. There are few other markets where such an overwhelming majority of buyers and sellers think in terms of yesterday's or tomorrow's values.

To confirm the point, the latest quarterly housing market survey from the Royal Institution of Chartered Surveyors (RICS) reports that "the already fragile housing market is numb following mortgage rate increases". The survey, bringing together reports from RICS member firms for the quarter to the end of September, underlines the point that, apart from the still-busy £200,000-plus country house market, it is now a "buyers' market" right across the country.

At least some vendors do appear to be taking Royal Life's advice; price cuts of up

to 25 per cent from 1988 levels are encouraging a revival of first-time buying interest in London.

## Talk, not action

LAST YEAR, the offer of a Grade II-listed, seven-bedroom Somerset property in 15 acres, with a guide price of £350,000, would have created a traffic jam along the M5. Now, Nick Evans, of Strutt & Parker's Taunton office, says: "People are being held at more selective. We still have people coming onto our books from outside. But because the market is so quiet in the south-east and they can't sell their houses, most of them take the details and can't get beyond talking about it."

What puts Fitzroy House (pictured), just four miles from Tamerton, into the second tier of available country properties is that it does need complete modernisation. And, as Evans concedes, some people are put off by the fact that the place is close to the busy Taunton to Minehead road. That said, the fact that Fitzroy House is an archetypal stand-alone country house is drawing the

viewers through joint agents Strutt & Parker (tel: 0823-277-261) and Hunts (0823-334-466).

J. B.

## Flawed logic

AT A SIMPLE level, logic suggests that a rise in home loan rates results in a roughly comparable fall in prices. In the hope of disseminating this particular piece of rationalisation, Royal Life Estates is promoting what it calls *The Reality Guide*.

Dowell Coming, managing director of residential sales for Royal Life South, argues that with mortgage rates at 13.5 per cent, a £200-a-month buyer who could afford a £63,400 house a year ago has to think in terms of a £49,800 property now. "Realistic vendors understand that logic and reduce their asking price to compensate for that rise in interest rates," says Coming. "After all, people can

afford so much a month."

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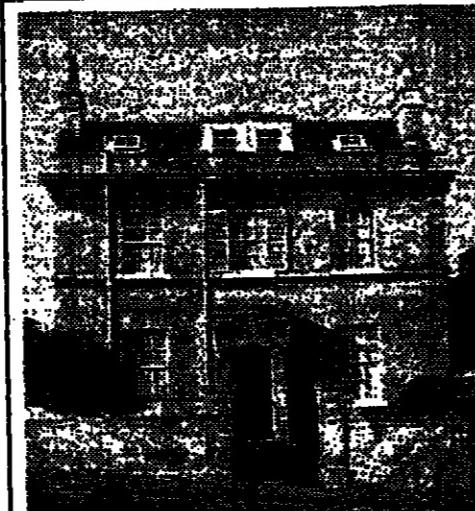
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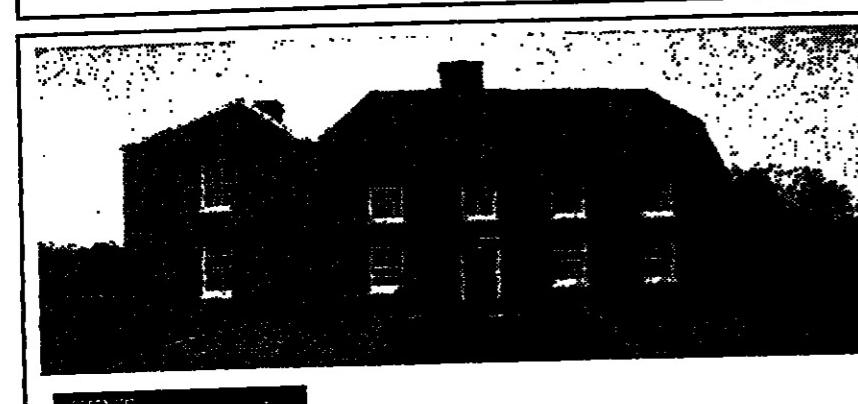
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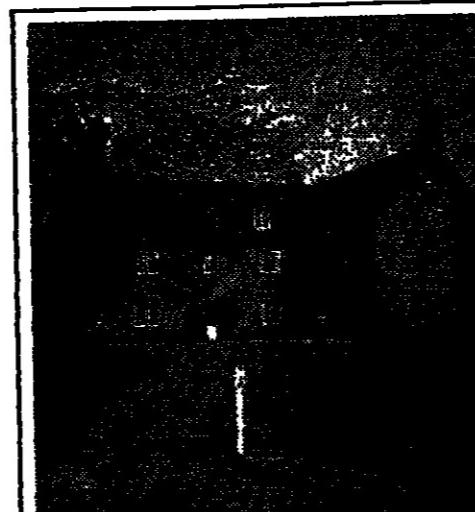


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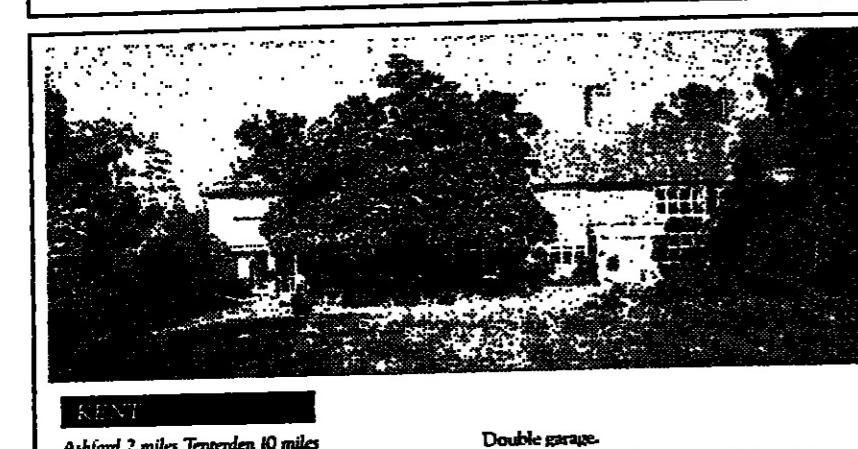
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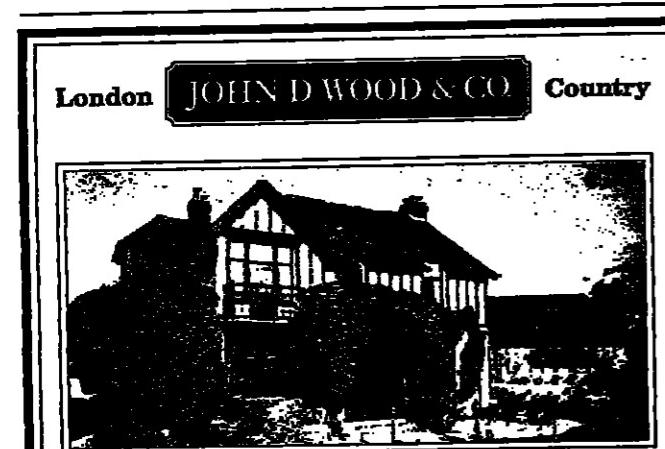
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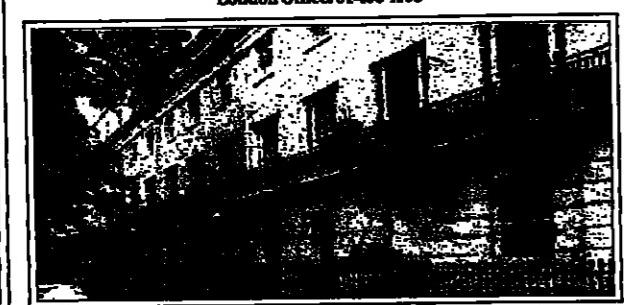


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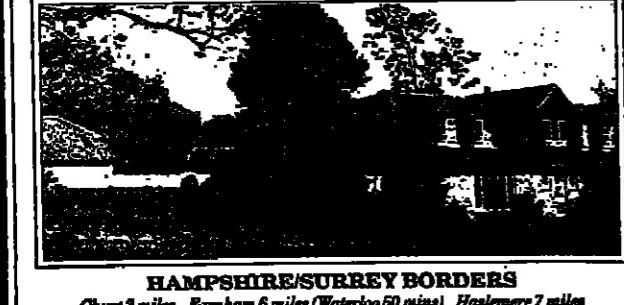
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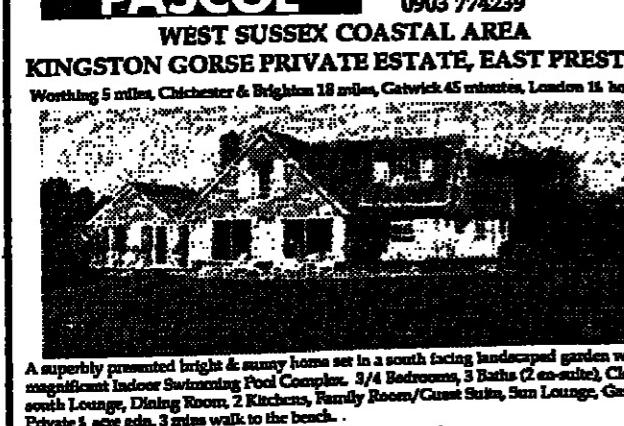
The house was designed by Oliver Hill (1877-1968) whose life and work were celebrated in an exhibition at the RIBA earlier this year.

All the main rooms are of spectacular design and materials used inside the house include solid oak for doors and floors, with stone fireplaces and door arches. Magnificent arched windows look from the drawing room and the dining room onto the central stone terrace which features a swimming pool. On the third side of the terrace is the loggia with graceful arched facing east, south and west.

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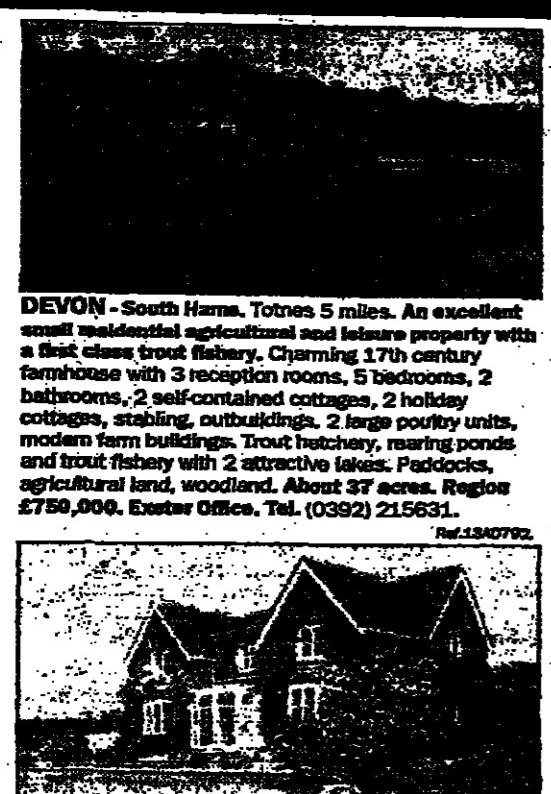
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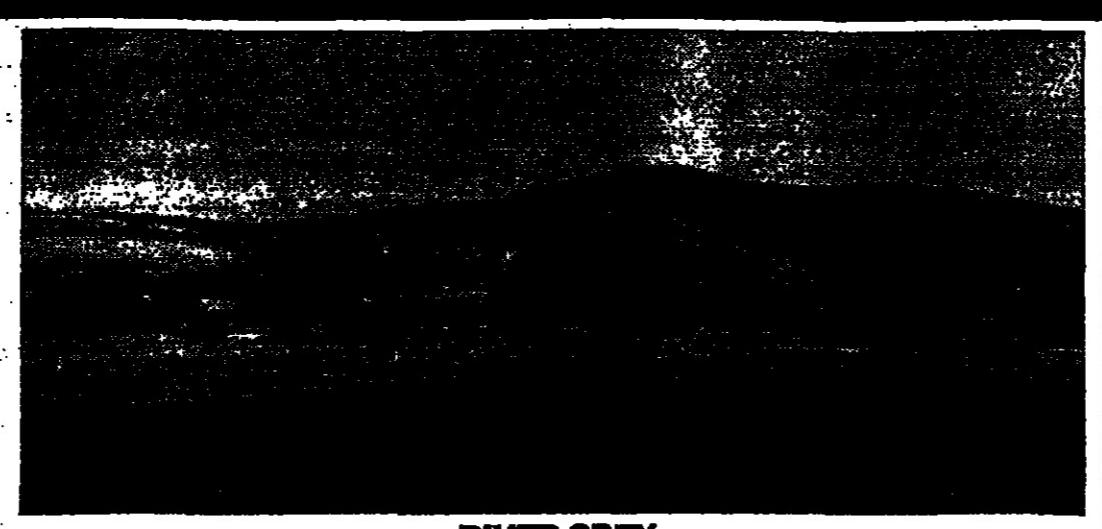
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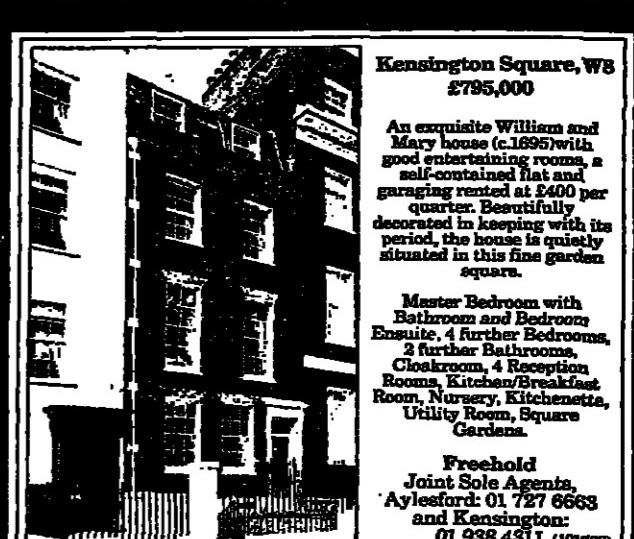
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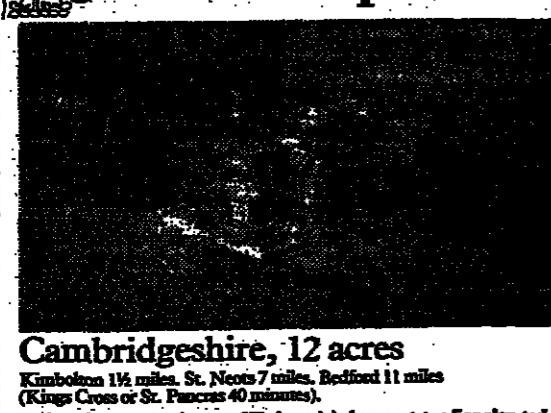
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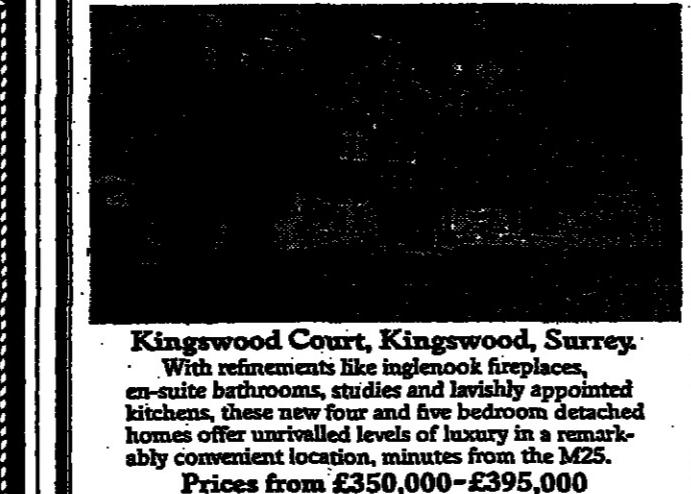
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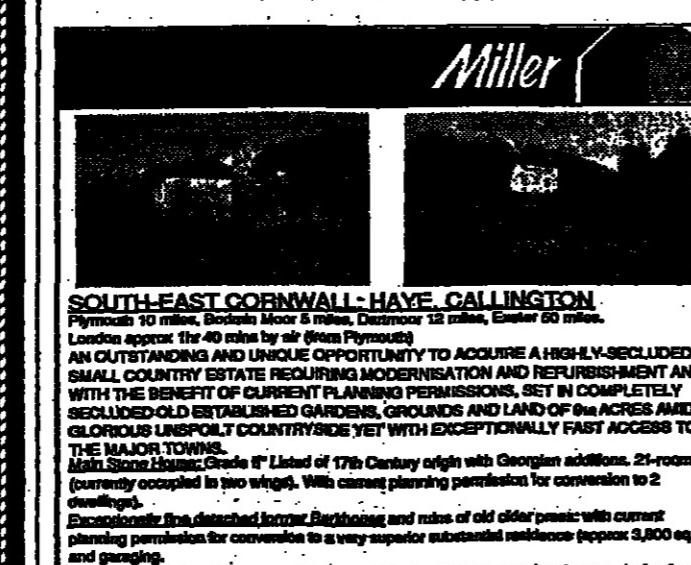
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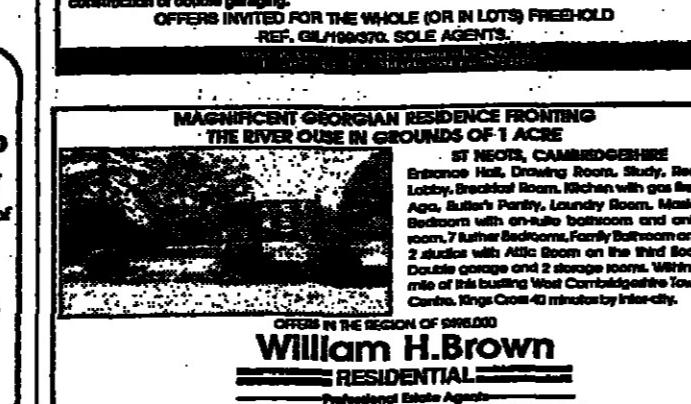
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## DIVERSIONS/BOOKS



So near and yet so far... how the summit of Everest looked to the Final Challenge climbers before continuing bad weather forced them to give up

## Everest has the last word

Climber Roger Mear describes how the weather beat the Final Challenge expedition

Rongbuk Base Camp,  
Mount Everest.

**I**t is 60 days since the Everest Final Challenge expedition unloaded itself from Chinese trucks onto the moraines on the north side of the world's highest peak. Sixty days in which we have seen our hopes to be the first to scale the north-east ridge buried by snow that fell with monotonous regularity - brought by the tail of a monsoon that would not die - and then blown to oblivion by the early arrival of the winds of the jet stream that now roar seemingly without respite across the mountain.

The prayer flags erected by our Sherpas on the crest of the moraine are stiff with wind, streaming out their benevolence over base camp. Among them, the ragged and battle-worn flags of our sponsors flutter and crack; their once strong colours now bleached grey by the intense ultra-violet light of high altitude.

The season is moving rapidly towards winter. Each morning, sunlight reaches the valley floor a little later, and is lost a little earlier behind the ridge of nameless peaks to the west. The silt-laden melt-waters of the Rongbuk Glacier, which in the warmth of August flooded the width of this broad plain of stones, are now contained in a single narrow channel edged with ice.

Until the winds arrived 10 days ago, Everest hid under a uniform mantle of

whiteness. The great horizontal bands of rock that are the distinctive features of the north face, and the First and Second Steps set on the crest of the north-east ridge, were obliterated by a mass of snow. The daily falls left us with a swallows knee (and sometimes hip) deep and continually buried our hard-won trail up the initial buttress leading to the ridge.

The threat of avalanche was of constant and growing danger, brought home to us when three of our Sherpas watched with horror as the snow slope they had just ascended fractured along the line of their footsteps and slid silently into the abyss. After Marcus Hurnak and I established camp 1 at 23,250ft (7,100 metres) in September and made a tentative push along the ridge in very deep snow, the expedition could improve at the last hour.

In the days that followed supplies of food, Gaz, rope, tents and oxygen - enough to equip all our higher camps - were carried to camp 1, but there was no further upward progress on the ridge.

We were halted not only by the unwanted realisation that climbing this monstrous, four-mile long ridge in the prevailing conditions was impossible, but also by fear: fear that the snow - steep as a church roof - through which we must wade, and on which we must climb, pitch our tents, live and sleep - was set on a hair's trigger and, at some point, would release and carry us down

with it. Besides our attempt on the north-east ridge, 10 other expeditions this year have attempted routes established previously on the Tibetan side of Everest.

The French, Romanian, Italian and two Spanish expeditions gave the mountain their best and departed, leaving Japanese, Yugoslav, Chilean and two American groups who, like ourselves, clung to a last, forlorn hope that conditions could improve at the last hour.

**A**fter negotiations with the two American north col expeditions, it was agreed that we should abandon further futile attempts on the north-east ridge and direct our energies towards the "easy" route attempted first by Mallory in the Twenties. Once the decision to abandon the ridge had been made, there was much talk (and not a little dreaming) of a fast last-minute dash to the summit up the "easy" route. But all plans came to naught with the arrival of the winds which, although soon stripping the mountain of much of its snow, prevented any progress above the north col.

On October 5, Paul Rose and I returned to advance base camp praying that the gods would grant us our chance. That night, the winds eased but Paul was smitten with severe headaches; in the morning, the sight in one eye was impaired - a condition diagnosed later as a small retinal haemorrhage. Accordingly, I set out for the north col alone - an attempt that was brought to a crashing end at 24,900ft (7,600 metres) in winds that proved unrelenting.

Ironically, yesterday, although the winds were blowing here at the base camp, Everest stood hard, bright, calm and cloudless and Marcus Hurnak and Tim Gaze made our last effort for the summit. They reached 25,500ft (7,800m) by evening. But the calm intended that had enticed them from the relative safety of the north col was over and, in rapidly-rising winds, they struggled to erect their tent among the tattered fragments of others abandoned by the French expedition.

By first light the tent began to disintegrate and, with snow hissing through the rents and shouting to each other so as to be heard above the gale, they made the inevitable decision to descend.

As I write, the tinkling of yak bells and the soft whistles and guttural cries of their Tibetan drivers heralds the arrival at base camp of all that was once advance base. We wait now for the arrival of the trucks from Lhasa that will carry us to Zangmu and the Nepalese border.

**I**n The British climbers on the Everest Final Challenge expedition were sponsored by E.D. and F. Man International, British Alcan Aluminum, and Thai Airways.

IT IS fortunate that a man of letters with first-hand knowledge of his subject and a decent, impartial approach was assigned the unenviable task of producing this important biography. One shudders to think of the tendentious that might have been inflicted by a gullible academic.

Flann O'Brien was a difficult, unsociable and often quarrelsome man, increasingly dependent on alcohol. His short, sad life was lived against a depressing background which Anthony Cronin described as "the pietistic, self-isolated, nationalist Ireland of the first decades after independence". And yet, we are dealing with a man who, according to Cronin again, "is quite simply, one of the funniest writers to use the English language this century."

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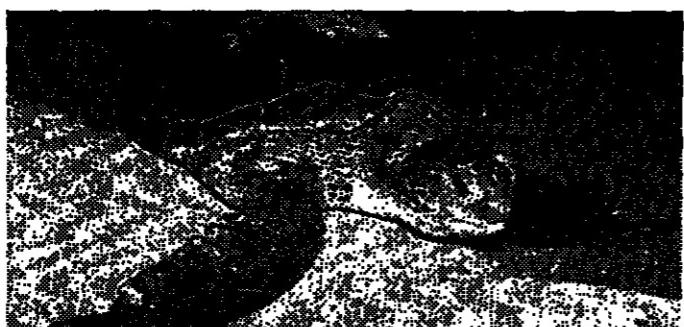
His father's sudden death in 1937 left him as the sole supporter of the household with his literary activities confined to evenings and weekends, a fate he accepted uncomplainingly. He was a lifelong Catholic and eventually married a patient, tolerant woman called Evelyn who is still alive.

The increasingly irreverent tone of the Myles na Gopaleen column and O'Nolan's unpredictable often drunken ways of living in west Cyprus will stay strong. But it is a fight to put this view over. Money beckons - and so do the turtles.

**M**Department of Fisheries, Ministry of Agriculture and Natural Resources, Nicosia; Friends of the Earth (Cyprus), Maroni, Larnaca (tel: 0143-2128); trips to the wild country north of Paphos: Excal Travel, Paphos (061-43300).

Gerald Cadogan

## Cypriots turn turtle



The green turtle of Akamas in Cyprus



How on earth do they know theirs is a marine life?

Research shows they do not.

What attracts them is the light off the sea.

If they see a brighter light inland, they will dash off there instead.

So they must have wilderness.

Turtles and camping sites, tavernas,

hotels or cars are incompatible.

The Lara Turtle Project's

task is to study, maintain and increase the turtles.

That starts with many hours of sitting silently in the dark and watching.

Where are they laying?

Is she a mother we know?

Will her nest be safe?

They eventually decided to hatch the eggs nature's way - by burying them in the sand and head straight for the sea.

The hatching rate is a most credit-

able 75 per cent. The hatching rate for undisturbed nests is between 55 and 90 per cent.

The station now releases about 4,000 babies a year, collecting some to rear in cages in the clear water of Paphos harbour.

I saw both types there, from toddlers to 10-year-olds, chugging around.

Their sex will be unknown until they are about 12 and start laying.

Eventually they will be tagged and released, and surveyed to check that they do return to their native beaches.

How then do we keep the beaches and hinterland fit for turtles? It is very wild Mediterranean coast, where the sandstone cliffs are scoured by the wind. The scrub is high and thyme and cistus fill the hot

dry air. This is where the turtles want to be alone.

If you reach Lara (I had one puncture), you may not camp, light a fire for a barbecue, or stay on the beach after sunset.

This is so you do not scare off the turtles waiting for dark to come ashore and nest. Mother turtles are shy animals.

The real danger, however, is hotel development, which will destroy the very environment that brings them there. Debate rages, but there are two hints of good news for the turtles.

First, the Akamas peninsula is likely to be declared a National Park. If it is, the park laws must have teeth. Second, the European Commission is supporting a pilot project of Friends of the Earth to promote agro-tourism around the Akamas. That means concentrating tourism in the existing villages, which are all well inland and promoting them as gateways to the wilderness.

With no monsters on the

beaches, the traditional

human and turtle ways of living in west Cyprus will stay strong. But it is a fight to put this view over. Money beckons - and so do the turtles.

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## Country View

### A deer life in suburbia

to district. In an area with which I am familiar, fallow deer will demolish young ash and wild cherry on sight. They are very fond of oak and quite like beech. Fortunately, they hardly touch the two staple conifers for that particular area, larch and Norway spruce. Of course, one can erect deer-proof fencing, but the cost is so enormous that, in normal forestry circumstances, it is not an option. Fencing against rabbits and hares is quite expensive enough.

Apart from the sheer pleasure of seeing them, deer bring other tangible benefits to land-owners. Deer shooting is a valuable asset

much of it being done from a high-seat which, from the safety angle, is desirable or essential in highly populated areas. There is an increasing demand for venison. A fallow deer carcass will fetch about 80p a pound when sold to a game dealer. A wild fallow buck might weigh as much as 140 lb, a doe nearer 70.

The great thing about wild venison is that it is almost entirely fat-free. It is also free of the steroids, hormones and other growth-promoting agencies that may be present in domestic red meat.

Until quite recently it was safe to assume that UK venison was likely to be wild. The stags are in the process of breeding.

The stags are to cut the time

needed for bringing deer to

slaughter weight, and to save the cost of fencing. Under this system deer are kept in sheets and fed on silage and cereal concentrates. Some people consider that keeping these semi-wild and sensitive creatures in restricted conditions is unacceptable and cannot be justified on the grounds of profitability.

If, on health, ethical or gastronomic grounds, the consumer prefers to eat wild venison, and is prepared to pay a little more for the privilege, he should, surely, be given the opportunity of doing so. This can only come about if purveyors of deer meat are required by law to declare whether or not their venison is of wild provenance.

Such mandatory regulation would be entirely in line with modern concepts of telling the purchaser as much as possible about the food he is being invited to buy.

**M**ichael Stourton

## Searching for the future of Europe

Edward Mortimer discovers a rather puzzling 'intellectual'

LIBRARIANS throughout the English-speaking world must be scratching their heads. On which shelf does *Europe, Europe go? Travel? Politics? Fiction?* Or has the author invented a new literary genre?

Hans Magnus Enzensberger is according to the blurb "one of Germany's, and Europe's, leading writers and one of her great public intellectuals". Neal Ascherson even guesses (in the *New York Review*) that he is "for the moment the most widely-read living poet in the English-speaking world". So the English reader who discovers him, as I did, through this book is made uncomfortably aware of his own parochialism.

Discomfort doesn't stop there. Being a poet, Enzensberger specialises in ambiguity. You have the strong impression that he is saying something, probably something rather subversive, but he leaves you to decide for yourself what exactly it is.

Yet, I should be very sorry to put any potential reader off the book by implying that it is obscure or difficult to read. Quite the opposite: there is nothing "Germanic" in that sense about it. This "great public intellectual" wears his greatness very lightly. He flits about Europe, head on one side, looking, listening, jotting. At first sight he seems merely to be giving us the jottings, plucked at random and unrelated from his commonplace book.

He has a sharp eye, and an even sharper ear. He is also blessed with a beautifully fluent English translator (Martin Chalmers) and a dust-jacket design by Chris Millett, that catches the spirit of the book perfectly: attractive yet scrappy, composite, mysterious, redolent with a sweet

smell of decay which, if you inhale, is not quite so sweet after all.

Enzensberger visits six European countries, spending apparently some weeks in each, between 1982 and 1986: Sweden, Poland, Spain. This is the order in the book but it is not chronological: the Spanish chapter is dated 1986 while Portugal and Poland are '86.

Things are not as random as they may seem. Why is Spain saved until last? Possibly because he likes it best or sees it as more hopeful than the others. The Spaniards, he finds, have done for themselves what the Allies did to Germany by demolishing its cities and partitioning it. He flings with their past and become "utterly reasonable, boringly normal".

What he is doing, it emerges gradually, is looking for Europe's future. Sweden is thus a fairly obvious place to start, but Enzensberger does not much like Sweden: the Swedes are too omnipotent and too many aspects of the past are quietly forgotten. In an early Orwellian manner, Italy is more seductive - to north Europeans, at any rate. It is so easy to get sentimental about the colour, the chaos, the anarchic vitality (Linklater).

Read, and judge for yourself.

## Simply, the funniest

NO LAUGHING MATTER: THE LIFE AND TIMES OF FERDINAND O'BRIEN

by Anthony Cronin

Grafton Books £16.95, 260 pages

IT IS fortunate that a man of letters with first-hand knowledge of his subject and a decent, impartial approach was assigned the unenviable task of producing this important biography. One shudders to think of the tendentious that might have been inflicted by a gullible academic.

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The increasingly irreverent tone of the Myles na Gopaleen column and O'Nolan's unpredictable often drunken ways of living in west Cyprus will stay strong. But this self-doubt was extraordinary deep," which goes some way to explaining why he gave up novel-writing for so long and took to drink. But this self-doubt was accompanied by an enormous capacity for competitive defence of his more ludicrous projects, which must have made him the most infuriating of companions, drunk or sober.

O'Nolan is often compared to James Joyce, who greatly admired *Ais Súin-Two-Birds*. They were associated with the same city, brought up in the

same religion and attended the same university, distinguishing themselves in the same debating society.

## BOOKS

# The global village without a church

**John Plender looks at some of the world's big-money players and their foibles**

**T**HIS DEVELOPED world has turned in the 1980s to remarkably stable economic growth. Yet, the financial markets, by contrast, are in a state of neuritic frenzy. The world's leading currencies are often the subject of huge over- or under-valuations; share prices are capable of plumbing several percentage points in a day; and bankers appear to defy all logic in their readiness to finance any half-plausible entrepreneur with a wholly implausible balance sheet. The over-indebted Third World, meantime, has been substantially excluded from the First World's economic party.

The turmoil on the exchanges might owe something to a fundamental shift in the global balance of economic and financial power. Just as the economic crash in 1929 reflected the instability of a system which was moving all too slowly from sterling hegemony to dollar pre-eminence, so the plumbing of currencies of 1987 and 1989 may be the symptom of an awkward transition from dollar hegemony to nobody knows quite what. But, for Anthony Sampson, the frenetic twists and turns of the money world also reflect the paradoxes of individual behaviour. He rightly observes that the seemingly dispassionate language of the financier betrays an implicit set of values. Those values merit a rather different form of analysis than that which rules in the columns of City editors.

The gentlemen who wear red braces in the dealing rooms of international banks refer cheerfully to the globalisation of markets. What they really mean is that the financial traffic between Tokyo, London and New York, with other financial centres such as Paris, Hong Kong and Los Angeles cast in

**THE MIDAS TOUCH: MONEY, PEOPLE AND POWER FROM WEST TO EAST**  
by Anthony Sampson  
BBC Books £15.95, 212 pages

supporting roles, is near-instantaneous. Yet, great chunks of the world's population are excluded from this non-global financial network built on information technology.

As John Reed, chairman of America's largest bank, Citicorp, remarks chillingly to Sampson: "There are 5bn people living on earth. Probably 300m of them live within societies that are 'bankable' and probably 4.2bn are living within societies that in some very fundamental way are not bankable." Such eerie bank-speak is one indication of how remote the financial community has become from demographic and social reality. People, according to Sampson, are also separated increasingly by speed, mobility and the sense of time, as well as money. In a reversal of the conventional assumption, the rich rise early and the poor rise late; work is associated not with drudgery but with status.

After the long economic boom, American entrepreneurs and Japanese companies flaunt their wealth as never before. Yet, we have created a global village in which there is no church and no parish pump. Like many books based on television series, *The Midas Touch* has a rather episodic quality. But that does not detract from many worth-while and humane perceptions. Although not claiming to be concerned primarily with economics, Sampson rightly diagnoses the lunacy of an economic system in which Latin America is con-

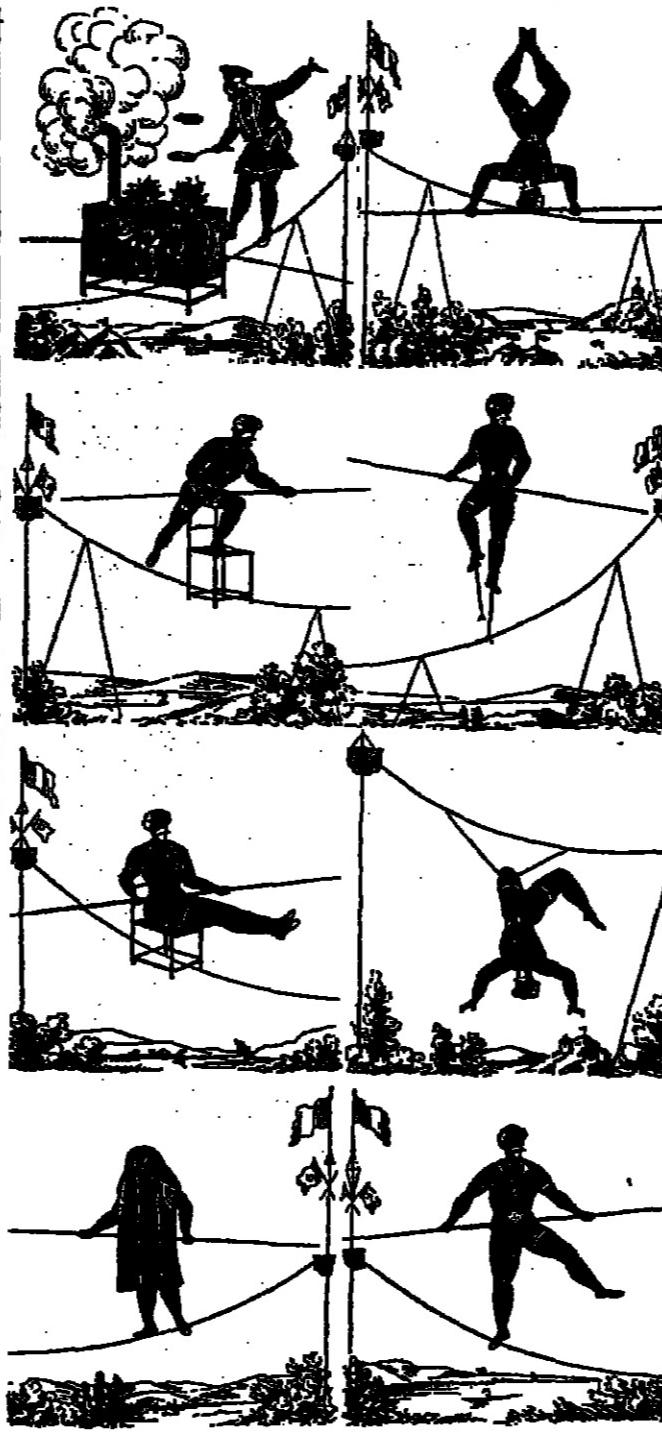
demned to export capital to the US. And he has little time for those who seek to wrap the growth miracles of Japan, South Korea, Taiwan, Hong Kong and Singapore in Oriental mystery. With their propensity for high saving and hard work, they reflect the values that characterised the British in their period of rapid economic development in the 19th century.

The fun comes in the observation of human motivation and behaviour. When Sampson visits Donald Trump, the extravagant New York showman-dealer, he finds not the beaming face of innumerable publicity handouts but a sulky individual who barks curt instructions down the telephone, the person at the other end turns out to be his wife Malcolm Forbes, the American publisher and propagandist for capitalism, pronounced the Chinese regime benighted while entertaining enthusiastic officials on his extravagant yacht in Shanghai. A group who left the vessel with a long banner, the legend "capitalist tool" became the new, hard-line secretary of the Communist Party after this year's atrocities.

Then there is Sir James Goldsmith, the Anglo-French asset-stripper, who made money selling off vast forests for timber. The past 100 years, he assures Sampson, have been the greatest disaster the world has ever seen because we have destroyed the environment. Others are exposed for their largely joyless, although not invariably tasteless, pursuit of social recognition via the art market.

Money clearly does loom disproportionately large in the 1980s compared with the 1970s. Whether it confers as much power as Sampson thinks is more questionable. The Japanese may be powerful, but their trade surplus reflects an excess of saving over domestic investment opportunities; and their readiness to finance the US budget deficit is arguably a covert form of defence spending.

Lack of money, on the other hand, is another matter: it blights the lives of millions in Africa, Asia and Latin America. It is high time that some of us who are concerned primarily with economics, Sampson rightly diagnoses the lunacy of an economic system in which Latin America is con-



Some of the exploits of the great Blondin (1825-1897), who once crossed Niagara Falls on a tight-rope. This is one of many arresting illustrations in Hermann Demirjian's "The Tightrope Walker" (Secker & Warburg £17.50, 180pp). The author is herself no mean exponent of this precarious art.

## Wrong about so much

**THE BRITISH** New Left cannot, on the 30-year retrospective which is this book's time frame, claim much success. It has produced several authors, some of them fine, but never had any appeal to the working class whose support it demanded.

Many of its leading activists, particularly Edward Thompson, played important parts in the anti-nuclear weapon movements; but these movements, too, failed in their aims because their demand for asymmetrical, unnegotiated arms cuts was rightly perceived as even more dangerous than nuclear stasis. It produced no party, although some of its adherents joined Trotskyist groups and others wrestled with Labour.

Many exceptionally sharp writers — Tom Nairn, Perry Anderson, Robin Blackburn, Stuart Hall, Raphael Samuel — employing a more or less Marxist framework, clustered around *New Left Review* (which itself maintained, and still does, high intellectual standards) and published an eclectic mixture of foreign and domestic Left analysis and the politics of the political."

Samuel, in an essay which seems ironic but is never critical, calls of the New Left view that "communism (or what we called Stalinism) was socialist theory which had lost the essential ingredient of humanity... socialist democracy was hardly better (it) a tattered up version of welfare capitalism".

Can they have believed that murderous totalitarianism equated with a shaky corporatism? It seems so, and from this came the doom and still continuing search for a third way, never properly described, programmed and certainly not costed, but alluded-to as a "transcending" process in which the insights of the intelligentsia would fuse with the activism of the working class.

But these writers were wrong about so much. Many in the New Left spent much of the 1960s and 1970s in a kind of guilty thrill to revolutionism which could lead to more or less open support for terrorism, as for the IRA. Its view of the working class, as Raphael Samuel tells us here, was of a "unified totality" — a mythic pro-

### OUT OF APATHY: Voices of the New Left 30 Years On

Edited by Robin Archer

£22.95 (paperback £7.95)

172 pages

dition. Capitalism was seen variously as omnipotent and near to extinction. Northern Ireland was a "colonial" problem and US hegemony "imperialist".

At the core of the problem, as Stuart Hall reveals in the keynote essay to this collection, was a terrible failure of making an equivalence between Stalinist communism and social democracy. The New Left project, writes Hall, meant coming to terms with the depressing experiences of both "actual existing socialism" and "actual existing social democracy" and transforming, in the light of these experiences, the very conception of the political."

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It is now clear enough that socialism, if it is to be salvaged as an effective politics rather than as an undermined moral absolute or a party label with little real content, cannot be found in revolutions, transformations or transcendent leaps, all of which explicitly or implicitly depend on a notion of class dominance.

In its place — the work is going on now — are efforts to assert what are the generally agreed features of a moral and sustainable society in which the education and welfare of all are a shared responsibility.

The deliberative cultivation of a habit of citizenship, depending in turn on transparent, rational and accountable structures, the creation of which would necessarily entail a remodelling of the overstrained, anachronistic and inefficient constitutional and representative arrangements we have in Britain.

John Lloyd

# Sylvia Plath: the conflict within

**Rachel Billington reviews an "objective" biography of a tragic modern poet**

**BITTER FAME: A LIFE OF SYLVIA PLATH**  
by Anne Stevenson  
Viking £15.95, 414 pages

was activated by Hughes' affair with another woman to produce the passionate and brilliant Ariel poems on which her reputation rests principally.

In particular, Dido Merwin writes a brilliantly scathing portrait of doubtful taste, which forms the final appendix to the book. Her image of Plath as the spoilt, self-absorbed, kill-joy rings unforgettable true and makes, as is clearly the intention, Hughes seem almost saint-like in his seven years of living tolerance.

Another friend, Lukas Meyer, recalls that Hughes once told him in the course of one morning working together in their flat, Sylvia called out to him 104 times. Olwyn Hughes, the poet's sister whose extensive contributions to the book "have made it almost a work of dual authorship," is known to be keen on correcting her sister-in-law's unrealistic golden girl/victim reputation. So here we have it: an "objective" portrait which is actually a defence of Hughes; an indirect attack on all the silly, feminist hype (notably, Linda Wagner-Martin's foolish biography published here in 1986); and, inevitably, a severe judgement on Plath — if not as a poet, certainly as a woman.

— from "Lady Lazarus" (1963)

under three years old; a husband who had not thought himself estranged permanently from her; and a mother, Aurelia Plath, whose obsessive relationship with her daughter was a — if not the — major relationship in Sylvia Plath's life.

This terrible ending, forecast often in her journals and poetry and attempted with near-success 10 years before, has contributed to her fame. Anne Stevenson who is a poet herself and a contemporary of her subject, is at her most assured when analysing the mental state out of which Plath created. She draws heavily on the journals in which Plath herself analyses her sense of guilt towards her mother and her reasons for both loving and hating this woman who had condemned herself to a "lousy" life so that her daughter should have an ideal one.

After reading Freud, Plath identified her first attempted suicide as "a transferred murderous impulse from my mother to myself..." Even so, to the last days of her life she was writing cheerful, loving letters to her mother (published in 1972 as *Letters Home*). They should be required reading for any student of poetry or of family relationships.

Lukas Meyer comments that whereas Hughes was determined his poetry should exist, Plath was determined that hers should be read. Elsewhere, Stevenson suggests that Plath lived her life entirely as material for her writing. Even her beloved husband was turned into a "Colossus," a figure out of her creative life and not allowed to exist in his own right. Such remarks will anger Plath's feminist supporters, who have cast Hughes in the role of chauvinist predator. This biography makes clear, at least, that Sylvia Plath's prime enemies were always within herself. Perhaps now a more realistic assessment can be made of her poetry.

## A Latin master of poetry

**MARULLUS: SOLDIER POET OF THE RENAISSANCE**  
by Carol Kidwell  
Duckworth £25.00, 323 pages

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John Lloyd

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## Anglian odyssey

**HISTORIC TOWNS OF EAST ANGLIA**  
by David W. Lloyd  
*Gollancz* (in association with Peter Crawley) £16.95, 208 pages

which ceased to be a port because of silting.

More dramatic, although hardly visible on the ground, was the disappearance of Dunwich, on the Suffolk coast, which crumbled at an alarming pace into the sea. As Lloyd ponders, will the relentless erosion continue and drag Sizewell A, B and even C down to the same watery grave in a century or two?

In contrast to the writings of

## GARDENING

## Outdoor living — inside

*Lucia van der Post looks at conservatories and their many uses*

**C**REATING a conservatory seems to have become the latest post-Thatcher occupation of the well-heeled classes; although conservatories are, of course, a new invention.

Robin Guild's sumptuous new volume, *The New Victorian Housebook*, tells us that the history of protecting plants through European winters goes back almost 2,000 years and that, even in Pompeian times, translucent sheets of marble were used in frames.

But it was not until glass technology began to be developed during the Renaissance that conservatories as we know them began to appear. Their chief function then was to protect the plants that explorers and botanists were bringing back from far-flung parts.

Orange trees were one of the earliest to catch the eye of fashionable gardeners. These used to sit outside during the summer and then be ushered into the greenhouse or conservatory for the winter.

These days, conservatories are seen less as a way of preserving exotic plants than of providing exotic living space. Few people who embark on building them need the extra room — the typical buyer is already well-housed — but they see a conservatory as a way to enjoy all the pleasures of the great outdoors with none of the inconveniences.

Inside their glass-lined world, surrounded by cool, green plants and a few colourful blooms, they have neither the trappings and claustrophobia of an indoor room, nor the wind and rain of the British climate.

Here, they are cocooned in a magical, timeless world; and there are few more enchanting ways of having a summer Sunday breakfast or a winter's dinner party than in a candle-lit, well-furnished conservatory.

Whereas conservatories are seen mostly as extensions of the sitting-room or kitchen, the uses to which they are put are

almost endless. Increasingly, it seems, people who work at home plan a conservatory-cum-study. The more affluent might commission one to house a swimming-pool; others use them as play-rooms (taking care, of course, to have well-toughened glass), studios, art galleries, or second sitting-rooms.

For Londoners, a conservatory linking ground floor and patio, or covering a bland, flat roof terrace or balcony, offers a charming way of increasing floor space and number of rooms without involving vast expense or trouble. Unless you live in a listed property, or it has been extended already, you do not generally need planning permission.

You can spend as little as £3,500 if it is small and off-the-peg, as much as £20,000 or £30,000 for a big country conservatory — and well over £30,000 for one large and grand enough to cover a swimming pool.

You can buy them off-the-

peg or custom-made or something in between — that is, you can specify size and shape but have it manufactured from pre-constructed modular units. Bartholomew Conservatories, for instance, will design one to suit your specifications; the parts are then brought ready-made to the site, so cutting down building time and labour costs.

Amdega is an old-established company — based in the north, but now with a southern office in Reigate, Surrey — which specialises in a traditional design based on the octagonal and rectangular conservatories made by the Richardson Company late in the 1800s.

It uses western red cedar, either stained for those who like a natural wood finish or painted with a micro-porous paint.

Although many of the conservatories Amdega builds are made from standard modular units, it does offer a choice of window design and other detailing. It also designs many one-off specials.

Town & Country Conservatories has no kits or modular units — each conservatory is designed individually by an architect. Most of them are in traditional mode, and the company seems adept at producing exceptionally attractive designs to blend with period buildings or settings.

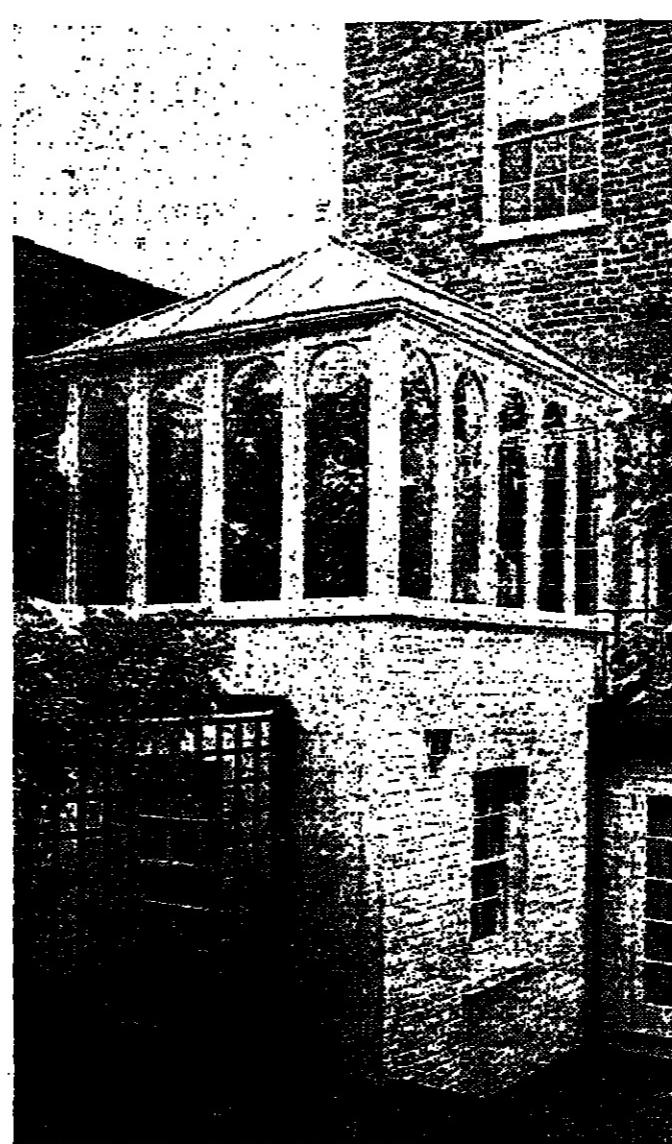
It uses a combination of soft and hard wood with lots of classical detailing and period metalwork.

Regency Conservatories is another company that specialises in hand-crafted individual, one-off designs. It, too, makes a speciality of taking great care over creating a harmonious whole between the conservatory, the house and the environment. Regency uses hardwood frames as well as some bricks and a wide variety of window styles.

The number of companies entering the conservatory market seems to increase daily, and the best advice I can offer to people considering buying one is to think clearly about exactly what they want. Just as prices can vary enormously, so can quality and finish.

Crucial to most people is how well the conservatory is integrated architecturally into the house and surroundings. A disastrously unsympathetic structure simply tacked-on to an existing house does little either for the morale of the owners or for its resale value.

Matching style and materials really is important and custom-built conservatories should, in theory, prove your best bet — but, as in everything, much depends on the



A conservatory for a small roof terrace in London, designed and built by Town & Country. Measuring 14ft by 12ft, it would cost somewhere between £10,000 and £15,000.

sensitivity of the designer to your project.

Make sure you get several quotes and design suggestions and think carefully about the materials you like. To my mind, timber is the most sympathetic but various synthetics often provide a much cheaper solution.

The best conservatories are double-glazed and — again in my view — you would be foolish to stint on this: condensation (caused largely by single-glazed windows) was as much responsible for the decay and rot of Victorian conservatories as external weathering. So, check all designs for maintenance as well as for aesthetic lines.

But double-glazing sometimes means the room can become unbearably hot in summer, so ask some trenchant questions about ventilation and blinds — this is particularly important if you are thinking of using the room as a studio or work-place.

\*219.95, published by Stodwick & Jackson on November 16.

## ADDRESSES:

□ Bartholomew Conservatories, 277 Putney Bridge Road, London SW15. (Tel: 0785-72631.)

□ Town & Country Conservatories, 8/9 Murray Street, London NW1. 9 RE. (Tel: 01-237-7050.)

□ Machin Designs, Ransome Dock, 35-37 Parkgate Road, SW14 4NP. (Tel: 01-350-1581.)

□ Amdega, Faversham, Dartington, Co. Durham DL5 OPW (Tel: 0325-468-522) and Reigate Heath, Reigate, Surrey RH2 5RF. (Tel: 0737-248-228.)

□ Room Outside, Goodwood, Goodwood, Chichester, West Sussex. (Tel: 0243-778-563.)

□ Regency Conservatories, Gulf House, 378-372 Old York Road, London SW18 1SP. (Tel: 01-874-3300.)

□ Marston & Langinger, George Edwards Road, Fakenham, Norfolk NR21 6NL. (Tel: 0328-49353; or 26 Bristol Gardens, Little Venice, London W9 2JQ. (Tel: 01-266-7643.)

Hated to each other's impossible questions. In Dorset, too, there must be people whose onions have rust, whose crown imperials refuse to flower, and who want to grow something in deep shade under a yew tree.

I often wonder if *Gardener Question Time* started the fashion or if, as I suspect, it was only the final transmission whereby this old rural sport was won public space on the air. Eventually set a new standard for the performance of amateur quiz masters.

Here, then, is my top tip for November. If it promises to be a long, quiet winter, locally, and if you hate all forms of game, why not start your own gardening game show and break the season's ice?

It is amazing what people will tell each other in village halls. It was at a quiz that I first learnt an inevitable rule of applying weed-killer to individual weeds in a flower bed: a member of the audience told us that she used oil.

The shooters, he realised, were the worst because they were the most selfish (their sport involved very few people, perhaps only themselves) and they told her. They exaggerated what they had shot.

One Hampshire landowner even tried to cheat in Cobbett's presence by pretending to have brought down 100 partridges in October without missing one. He dropped the "hundred" from his existing pile of dead birds and claimed that he had hit it, whereas Cobbett knew perfectly well that he had missed.

Hunters, at least, love to talk about each other and their mistakes. I do remember hunting with a man who claimed to have jumped a boundary hedge with the rest of us when we knew that he had gone by the road.

admittedly, he was a visitor whose ideas of hunting had been learned in Kent.

Midwinter, Cobbett noticed that hunting involved a huge underground of rural interest, just as it still involves raffles, whisky-drives and parties which raise money from hordes of willing villagers so that a few advice of mine on planting sweet peas in pig manure, and had killed the lot because it burnt them. He had, I think, made a mistake in the first place because it was a piece in which I admitted to killing them by trying the experiment.

Still, the audience took his word for it and was even more inclined to disbelieve me when the next questioner, a female, began her question by saying that she usually took me to bed with her on Saturday nights.

Awful possibilities floated through the minds and 100 tongues prepared to wag, but she went on to say, "And, of course, I take Arthur Hellyer, too, and attend to him first."

We realised, then, that she was referring to the *Financial Times*, but it did wonders for our conversation, proving that there is more game in the English village than Cobbett or casual migrants might suspect at first inquiry.

## The value of gardening as group therapy

*Robin Lane Fox has an idea to help pass a long, quiet winter*

NOVEMBER is looming and country fancies will once again be weeded out from country enthusiasts, or those with my alternative.

"Whatever do they all talk about?" a London-to-country migrant asked me recently. She spoke with experience.

In the Dorset countryside, nobody spoke a word to her. Perhaps she forgot to mention planning permission, the one avid topic of conversation locally. Otherwise, the rural wall of silence is an old complaint.

In the 1820s, according to William Cobbett, it confronted you everywhere unless you talked about game. Cobbett ought to have known. He had made rural raves around England, and on this very occasion, in 1826, he was protesting about the level of conversation in Hampshire.

The talk was almost entirely about shooting, unless it happened to be about hunting: he reckoned that, between them, the two topics accounted for more than 99 per cent of the words exchanged in the English countryside.

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This conservatory by Marston & Langinger links three rooms of a villa in St John's Wood, north London. Measuring 17ft by 11ft 6ins, it has large double doors. The period detailing — metalwork on the roof and the 'Gothick'-style windows — give it a mellow look that blends in beautifully with the surroundings.

## ADVERTISING Languages mean business

says the CBI, and even when the official language of a project is English an ability to understand what is being said around you and to socialise with your colleagues is essential for success. Verbal communication skills will be primordial for maintaining effectiveness in the Europe of 1992. These are the skills we concentrate on at CIEL. On a 7-day intensive residential French course using the BB (Bilingual-binomial) method you will find yourself paired each day with a different member of the Francophone group who are learning English at the same time as you are learning French. These groups are small — a maximum of 6 for each language, and the two groups will be at the same level: Elementary, Intermediate I, II or Advanced. Each group has its own tutor, and the day is divided between language work in your own language group, and communication activities when the two groups work together. You may find yourself having lunch with a senior member of a French firm, perhaps in your own line of business, who happens to be your «BB» partner that day. This face to face communication between friends is

the best way to break down those affective barriers which impede progress.

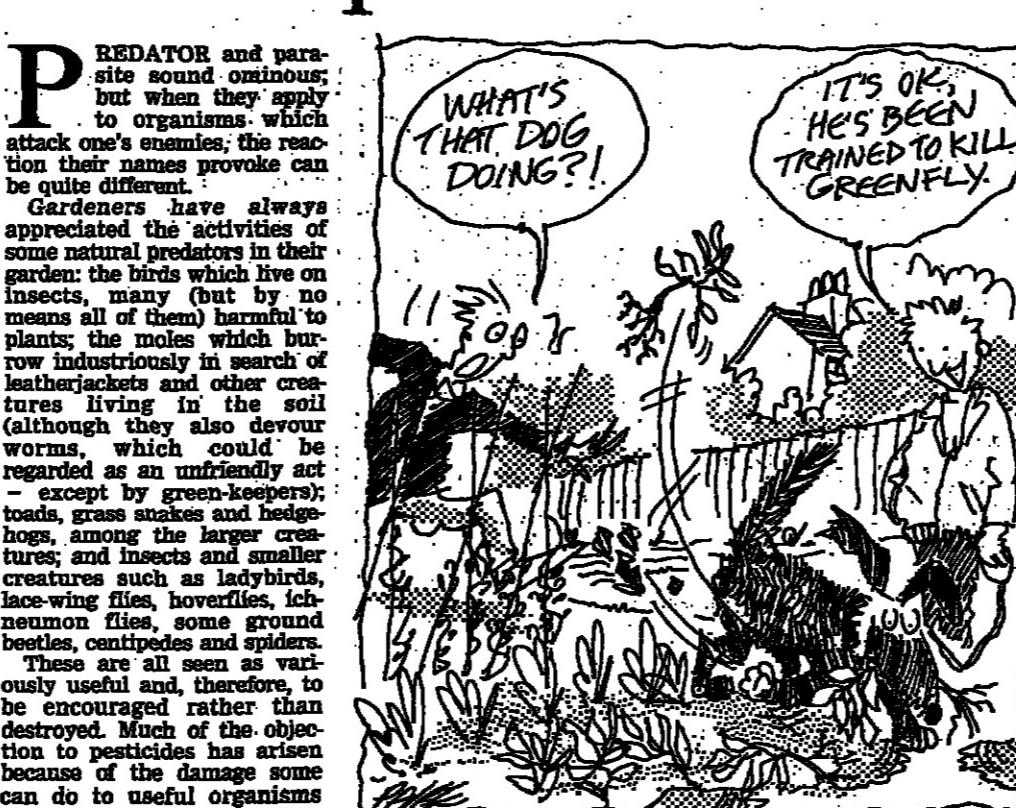
The BBC came to film us for their «Business Matters» series. They called the programme «Does Anyone Here Speak English?», but as we are based in the Dordogne it is, of course, French that you will hear all around you. Writing in the Times Educational Supplement, Sophie Gardiner wrote: «At first, the course appears highly structured: 80 hours of working time, every minute of the day accounted for — but in reality the structure is only there to provide contexts that make communication inevitable. It's very flexible.»

Andy Anderson asked in the FT «Does it work?» and answered «After seven days I was still far from reading Sartre in the original, but my vocabulary and pronunciation had improved immeasurably, my once shaky grammar was now on firm foundations and, above all, my confidence had improved a thousand-fold.»

That confidence is the key to success, and the guarantee that for you, too, Languages can mean Business.

Hamilton MILLS

## When predators aren't pests



its victim is the glasshouse red spider mite, which thrives in Britain when temperatures are high and the air is dry.

These exotic predators are let loose when conditions are right and there is sufficient of their favourite prey to enable them to breed and multiply rapidly. The difficulty is that the prey diminishes in numbers, so the predators, until some kind of balance is reached. Often, this balance can be quite satisfactory to the gardener or grower, but not always.

It is by no means certain, however, that a living organism introduced to control a pest will succeed, notably with control of the glasshouse red spider mite, which thrives in Britain when temperatures are high and the air is dry.

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Some of these difficulties were considered recently in a day-long seminar held by the East Malling Research Association. One of the biological control methods discussed was a virus which can infect some caterpillars with a fatal disease. The virus, CpGV, was discovered in California in 1963. It attacks a small range of closely-related caterpillars, including those of the codling moth which do a vast amount of damage in British orchards to ripening apples.

This has always been a difficult pest to control because the female moth lays her eggs singly, each in the eye of a young apple. As soon as the caterpillar emerges, it eats its way into the core of the fruit where it is safe from birds, pesticides and almost anything else — except CpGV.

The snag, however, is one that is a great deal more serious for the commercial fruit-grower than the home gardener. The virus takes several days to kill the caterpillar, which gives it time to start burrowing and make its mark on the apple — rather like a

Arthur Hellyer

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## HOW TO SPEND IT

# 'At home' with a great chef

*Lucia van der Post visits Michel Roux to see the kitchen of his Berkshire cottage*

**F**OR MOST of us the desire to peep into the private kitchen of a great chef is more than just prurient curiosity; it is also an opportunity to learn. When food is your business, the chances are that the kitchen, even in your own strictly domestic domain, has to be more than just another pretty place. People who care about food and its preparation don't lower standards simply because they shut their own front door.

So when leading chef Michel Roux asked John Lewis of Hungerford, a nearby kitchen company, to build a pristine kitchen for him in the cottage he and his wife, Robin, share next to The Waterside

Inn at Bray, in Berkshire, it seemed a good chance to see just what sort of kitchen a professional chef chooses for himself.

First and foremost Michel Roux wanted a serious working environment. He wanted it solidly built to last. "A friend in the design world who knows everyone gave me a list of various names and companies and I approached several of them completely incognito. I liked John Lewis' approach. He came to see me himself and took great care to listen to what I wanted and to bring my dreams alive. I don't like follies - or not in the kitchen. I like things which are simple, practical and serve their purpose. I wanted something

that would be easy to keep clean as I am fanatical about cleanliness. I wanted it to be light and white as I like a bright airy kitchen and I wanted a cool surface.

The result is a kitchen that at first sight looks remarkable in its simplicity. No fancy nooks and crannies, no twee little *faux rustique* paneling or any other decorative fols de rois. No ruched blinds or rag-rolled cupboards - just clean white lines, as white as his starched chef's clothes. Shelving and cabinets were specially adapted from a standard solid wood John Lewis range - Drummore Castle - but were painted bright white and the solid brass hinges were given a silvered

finish. On the floor are 16in square white industrial tiles. There are lots of open shelves for pots and pans to be snatched and put back at top speed. All the white painted shelves have been given a protective sycamore edging. There is not a great deal of storage as Michel Roux likes to buy *selon le marché*.

All the working surfaces are made from a marble-like material called Corian which Michel Roux loves. "Even the sink is made from this marble and it means all my vegetables can be kept cool so they don't get tired and stay crunchy. I asked for a very big sink so that I can refresh the vegetables easily and don't have to fiddle about doing it in batches."

There's a classic wooden island unit for food preparation. The frame and legs are sycamore and the top surface is divided into an end-grain maple side for cutting meat (he is very careful about avoiding cross-contamination of flavours and uses small chopping boards for dealing with food such as fleshy onions or garlic) and Corian for making pasta, pastry or bread. There's a stainless steel slot for his essential knives - mainly knives he's had for years - Sabatier and Solingen. "At least two-thirds of my knives are between 16 and 20 years old and they go everywhere with me. I always go for steel blades which last a long time."

When it comes to equipment he is, he says, classical in his approach. "I like very high-quality equipment but not too many gadgets. I chose a Paul Bocuse cooker from the French company of Rosières which has two ovens and five burners one of which is high speed." One of the ovens is a convection one for patisserie, soufflés and the like while the other is a conventional oven for roasting, poaching and day-to-day cooking.

"The good thing about having two ovens is that if you don't need both for cooking you can use the second one for heating plates or for slow-cooking some meringue," says Roux. The refrigerator and freezer are also supplied by Rosières and are built-in. Saucepans are stainless steel with copper-strengthened bottoms. He keeps a few traditional copper pans for making sauces.

He's not keen on kitchen gadgets. "I do things the traditional way - some gadgets are serious but at least 75 per cent of them are rubbish. In all my kitchens I always have a Robot Coupe. It is like another person - it chops, makes mousse, it does everything. I don't have a pasta machine. I am an old fox who prefers to make his



Michel Roux on the block

own pasta but I have seen some that do make marvellous pasta.

"I also have a little Hobart mixer - it whisks and it makes dough. Then I have a most wonderful ice-cream machine (La Gelatiera) which makes proper fruit sorbets - I just buy fruit, press and sieve it and put in the machine. People use too much water - my sorbets are just pressed fruit and they taste wonderful. If I am in my house in the south of France at this time of year I just go to my vineyard and pick some eating grapes, put them through a sieve and add into the machine and there you are."

Though it is no good pretending that Michel Roux's kitchen is cheap (a similar kitchen would cost roughly £30,000) it is the high quality of its equipment - the French double-oven, the stainless steel

canopy, which houses the extractor fan, the custom-made food preparation unit and so on - which puts the cost up. There are lots of ideas there that any cook thinking of revamping her surroundings might do well to think about - the island unit with the two different surfaces for preparing different foods, the Corian working surface and sink, the open shelving for easy access and so on. Perhaps most interesting of all is that here we have such a simple, clean-lined, yet professionally planned kitchen - a kitchen for the serous cook of the 1990s?

■ John Lewis' main office is at Unit 2, Limborough Road, Wantage, Oxfordshire, OX12 9AJ. Tel: 02357-68888. He has five shops, one each in Hungerford, Henley and Bath, and two in London, including one in Liberty of Regent Street.



Clean and simple lines in an airy working area



■ IF YOU already have a conservatory - and those who haven't should consult the facing page - you may be looking for some accessories with which to furnish the

place.

Town & Country Conservatories has opened a conservatory shop at 8 and 9 Murray Street, Camden, London NW1. It is full of

temptations, the essentials and inessentials for conservatory living, the magic touches to give it charm and atmosphere.

All the pieces are shown in two specially-built conservatories so that you can gauge how they would look in situ. There are antique chandeliers hung with crystal, ancient busts and modern terracotta, large citrus trees, and traditional English willow lounges.

There are small flowerpots for as little as £1.50 and there are wall fountains made to order at several thousand pounds a piece. There are tiles, lanterns and special antique one-offs that you won't find anywhere else. You can't find a conservatory to find the things beguiling - many would look good in halls, on patios, balconies or terraces. But if your conservatory is currently looking a little less lush and well-furnished than you'd like this is a good place to start searching.

Shown in the photograph above is a table of sturdy slate and steel designed by Richard Madditt, who buys and designs special items for the shop. Measuring 2ft 7in by 4ft 7in, it costs £356. On it is one of a series of decorative wheatsheaves in a terracotta pot - this one costs £145 and though this sounds a great deal they do last.

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PT

Not more than ten miles from the Scottish city of Perth is the Firth of Tay and the smaller River Earn.

It is on the fertile southern bank of this estuary that you will find a 300-acre farm known as Jamesfield.

Even though it's set amidst a landscape of rolling hills and lush evergreen woodlands, the farm isn't particularly picturesque.

The pleasing symmetry of its oats, wheat and barley rows is disrupted by an unruly scattering of wild oats, chickweed and Fat Hen.

*Another member of our pest control squad.**Our flying watchdog.*

idea to transform Jamesfield into a sort of organic R&D laboratory, our pulse quickened.

The plan was for the European Commission, the Scottish Development Agency and Safeway to shoulder the financial burden of what would, in the fullness

of time, be Europe's most exciting agricultural project in decades.

Eleven scientists would be assigned to Jamesfield.

## To run Europe's leading organic farm, we recruited eleven staff and several million volunteers.

The reason for this is simple: Jamesfield is an organic farm. As a result, its fields are not treated with chemicals.

So instead of pesticide, Jamesfield relies almost entirely on the good will of its volunteers, like owls, ladybirds, hoverflies, frogs, blue butterflies, wasps, dragonflies and spiders to keep the pests at bay.

*He attacks the bugs that attack the crops.*  
In place of synthetic fertilisers, the farm employs cattle, sheep, goats, earthworms, legumes and fungi to enrich the soil.

And as an alternative to herbicide, it has to resort to hoes and hard labour to control weeds.

Although Jamesfield is no scenic spot, we have a soft spot for the farm. After all, we were the first supermarket to sell organically grown fruit and vegetables nearly nine years ago.

*(Today, Safeway handles well over 50 varieties of organic produce.)*

So when the Edinburgh School of Agriculture came to us some time ago with the

Their job: to leave no stone unturned, no avenue unexplored.

They would investigate the role organic farms can play in feeding the country.

They would strive to show to one and all in the agricultural community that chemical-free farms can indeed earn their keep.

They would experiment with organic methods of growing traditional crops. (Luscious vegetables grow perfectly well without chemicals being used.)

They would demonstrate all the 'non-commercial' benefits of organic farming.

*(Clean, sparkling rivers, for example.)*

And, last but not least, they would share all the knowledge gained at Jamesfield with the rest of the Continent. Jamesfield would, in other words, be a classroom for the future generation of European organic farmers.

Being the country's leading organic greengrocer, we're glad we could be of assistance to Europe's leading organic farm. Naturally.

**SAFEWAY**

## FOOD AND WINE

# Treading the Beaujolais

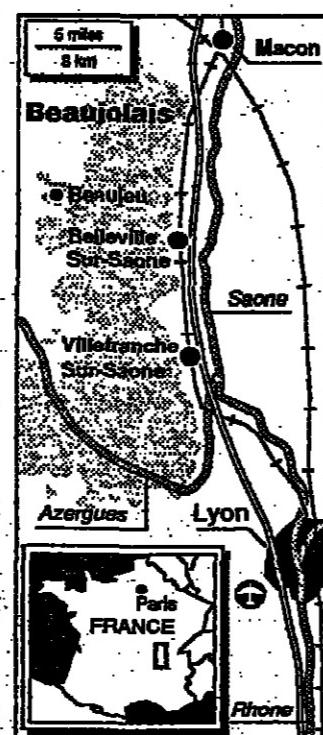
Nigel Buxton takes a week off to walk in the countryside

**I**N A FEW weeks, when Beaujolais nouveau is in the news, and people are speculating about "the vintage of the century," I shall make a quiet libation to the gods in gratitude for the week during which I went from one end of the Beaujolais to the other in the course of what could well prove to have been my walk of the year.

I would gladly do it all over again before the new wine flowers in the wine columns if I had the time; for although the southern Burgundy countryside was lovely in September, it will be lovelier still from now until winter hangs too tightly — the vines and hawthorn above the cities every shade of colour from ochre to claret, the sky on a sunny day a fine-filtered blue. The Beaujolais is only about 35 miles from top to bottom, and 10 miles from side to side, so walking through all of its appellations — crus, plus, Beaujolais simple and Beaujolais Villages — in a week does not demand a Brobdingnagian stride, although so far from straight are the highways, so far from level most of the terrain, that a fairly early start and no more than a modest expenditure of time on digestions and lunches is advisable to cover the list.

In this, as in certain other respects, autumn scores over summer, when the temptation to linger over idyllic picnics might be harder to resist. For my part, 12 to 15 miles between the café complet and a bath before dinner are sufficient. And if now and then a lift is begged or a taxi ordered to start or end the day, one might take comfort from Hilaire Belloc, lover both of wine and walking, who certainly cheated a trifle when resuscitating his classic *The Path To Beaujolais*.

Beaujolais pure and simple: the most southerly and by far the largest of the 12 appellations, and which produces most of the nouveau, with the exception of certain outlying areas — might be the lowest in the official



hierarchy of quality but is also the prettiest part of the viticultural region of the Beaujolais. It is more what the French would call accidents than the rest — more hills, deeper valleys and the streams more numerous. And if a 1:25,000 scale map of the IGN (Institut Géographique National) Série Bleue is desirable elsewhere, it is virtually indispensable here for the walker who wants to leave the asphalt for clay.

Further north, over the Mâcon stream on a line roughly east-west from Villefranche, one has left most of the appellation of Beaujolais and entered Beaujolais Villages territory, of which, surrounding the town, there is plenty more to come. An hour or two of ups and downs and twists and turns through virtually continuous vines but never boring, across the Gamay vines and out in the most southerly of the 10 crus and wondering if one has the time and the energy to walk up the 1,587 ft-high Mont Bonvill. On a hot day at the end of the vendanges, I did not wonder for long but went north and a little east across the very modest River Ardèche to the Château de Pizay (a member of the Relais et Châteaux organisation of hotels) surrounded by its own vines.

"Come and have a taste," invited Pascal, chef de cave, and I made a short tour of wine-making premises hardly less grand than those of the hotel. "Come and have a taste," said a man in bleu travail who owns an acre or two of vines a little further along the road and sells most of his grapes to a well-known firm but makes a little wine for his private use, and I found myself in an old wagon shed at 10.30 pm drinking what seemed one of the most delicious Morgane ever.

Morgon, Chiroubles, Fleurie, Moulin à Vent (which is actually at Les Thorins) Chénas, Julliéas, St-Amour. With a glimpse of Régis Duret, to the east of Morgan, I made my zig-zag progress

Of course, there is nothing

G A RANTUAN orange and tawny-gold pumpkins filled the greengrocer's shop this week and more were lined up on the pavement outside. Customers queued for them eagerly. Pumpkin pie and pumpkin soup were invariably on the menus of those I spoke to, with harvest suppers and hallowe'en feasts proving the most popular occasions for serving them. Lantern carvers formed a major part of the queue. Only one fellow-purchaser told me that her pumpkin was destined to do double duty in the kitchen. Her plan was to excavate the flesh to make a soup and then use the shell as a soup tureen. The soup would be partnered with rolls.

My own massive pumpkin is also intended for use as an ingredient and as a serving dish — and I shall use it as a cooking pot, too, in a repeat performance of a dish which received a warm welcome from my family when I made it last autumn. Mildly spiced, easy to eat with a fork, and dramatic looking in its flaming orange pot, it appears in particular to outdoor appetites keened by the cold. I recommend it for supper on bonfire night and as a shooting lunch dish.

## STUFFED & SPICED PUMPKIN STEW

You will need a pumpkin that weighs a minimum of 8lb. It must stand steady in order

to contain the stew safely, and it should be a good, pot-bellied, casserole shape. Ideally, it should be brilliantly coloured and have a handsomely ridged top with enough stalk to simulate a lid with a handle. Be sure to excavate the flesh from the shell carefully and keep an eye on the "pot" as it cooks. If the walls of the shell are thin and weak in places, or if the meat is so tough that prolonged cooking is called for, the pumpkin could begin to lose its shape and split.

If you are nervous about the idea of using the pumpkin as a cooking pot, or if the stew is to be served as a picnic lunch for the gurus, obviously you can cook the stew in a conventional casserole and transfer it to the pumpkin shell for serving. Do remember, though, to warm the pumpkin shell before filling it with the stew or the filling will be tepid instead of piping hot when served.

Served with flageolet beans and potatoes, rice or ribbon noodles, the quantities given here should serve 8 people generously.

INGREDIENTS: One pumpkin weighing 8-11 lb; 2 lb neck

fillet of lamb (trimmed weight); 1 lb onions; 2 crisp and not too sweet dessert apples; 1 lb 2 oz can plum tomatoes; a little oil for the marinade; 4-5 finely chopped garlic cloves; 2 tablespoons finely chopped green ginger; 1 teaspoon chilli powder (or considerably more if you want a "hot" and spicy stew); 2 heaped tablespoons cumin seed and 2 scant tablespoons coriander seeds toasted until warm and aromatic; the seeds of 8 cardamom pods; the juice of half a lemon.

Cut the lamb into chunks and put it into a bowl. Crush the cumin, coriander and cardamom to a powder and sprinkle over the meat. Add the chilli, garlic, ginger and lemon juice and plenty of coarsely ground black pepper. Toss to mix, cover and leave in a cool place overnight so the spices soak up the flavours.

Next day, chop the onions and soften them well in a little oil in a large sauté pan. While the onions cook, scrape most of the spices from the meat, reserve the spices and dry the meat with kitchen paper towels. When the onions are well softened, remove them from the pan. Sear the lamb, in batches. Return the onions to the pan. Add the marinade spices and cook, stirring, for a minute or so until deliciously aromatic. Add some salt and the roughly chopped tomatoes (but not their juices which can be saved for stocks, soups or drinks) and bring to a simmering point. Cover and leave to cook very gently on top of the stove for 45 minutes or so.

Meanwhile, prepare the pumpkin. Cut a lid from the top and scoop out and discard the seeds and woody fibres. Excavate with a spoon to extract only 1 lb of flesh. Take it carefully from all round to

leave firm, even walls of flesh in the shell. Cube the flesh and reserve it. Season the inside of the pumpkin with salt and pepper, smear the skin with oil and sit it in a baking dish. Warm the pumpkin shell by baking it in an oven heated to 375 F (190 C) gas mark 5 for 25-30 minutes. Check the contents of the sauté pan for seasoning. This is a good point at which to add extra chilli to taste. Dissolve it in a few spoons of the hot stew liquid, then stir it into the rest.

Ladle the stew into the warmed pumpkin shell, adding the reserved cubes of pumpkin flesh here and there. Cover with the pumpkin lid and bake at 375 F (190 C) gas mark 5 for 45 minutes. Add the apple, peeled and cut into cubes, stirring it gently into the stew. Replace the lid and continue cooking in the oven for a further 30-45 minutes. By the end of this time, the ingredients should be tender and the pumpkin "cooking pot" should retain bright colour and firm shape.

Ideally, the stew should be served straightaway but, if necessary, I have found that it will hold for about 30 minutes if the oven temperature is immediately reduced to 225 F (110C).

Meanwhile, prepare the pumpkin. Cut a lid from the top and scoop out and discard the seeds and woody fibres. Excavate with a spoon to extract only 1 lb of flesh. Take it carefully from all round to

decide, for reasons other than bandwagon ones, that it wants to be "green" but what does this mean? In response to the BSE threat, Sainsbury's is removing the bit of spinal marrow from all its lamb chops before they go on sale. Is this a "green" move, though? And do you look after your customers' health better by selling them prepared dishes which may spoil if the chiller cabinet is over-loaded, or by selling them raw food which then runs the obstacle course of home cooking in a kitchen like mine?

There is a number of people for whom avoidance of certain foods or additives is a matter not of fat but of life and death.

For them, the problem is not of hygiene but of labelling and knowing what ingredients

actually are there!

For many people, a whole spectrum of ingredients has to be avoided, and they are in the hands of the people who write the packaging. Sainsbury's is very good at this: it publishes guides to the labelling of its food and related issues. These are genuinely informative and useful. "Who reads those, anyway?" asked one of my fellow journalists. "We've got rid of 14 million so far," Sainsbury's said.

A supermarket might well

## Food for Thought

# What's your poison?

Sainsbury told us that the level of salmonella contamination in its stores' fresh chicken is 11 per cent. "Why not 0 per cent?" someone asked. The reply was that a 100 per cent could be achieved overnight — by irradiating the lot. Ha, but we won't have that, will we? Well, perhaps not. While another major supermarket chain, Tesco, has said a firm "No" to irradiation, Sainsbury's is more inclined to wait and see.

I think our chances of ever getting food which has been irradiated, but doesn't say so, are very poor indeed. We seem to have lost our last source of unpasteurised Stilton in the wake of the listeria scare. Some people mind very much about this, partly because they were very fond of it and partly because its disappearance has been seen as evidence that, in a crisis, the Ministry of Agriculture might find it easier to take advice that hits the small, independent supplier rather than the combined might of agri-business.

Attempts to give him a hard time largely were frustrated. Were you to be poisoned by food you bought at the family's supermarket chain, you would

# A real thirst for experience

Jancis Robinson explains why some wine-makers have become world travellers

**A**T THIS time of year it must be awful to be married to a northern hemisphere wine-maker, especially a good one who knows he has just one annual chance to show what he can do with a truck-load of grapes and, during vintage time, will accordingly ignore his family in favour of his fermentation vats. But the worst wine-making spouse of all must be one of the increasing number of trans-hemisphere itinerants who have decided that making one vintage a year, as Nature surely intended, just isn't enough.

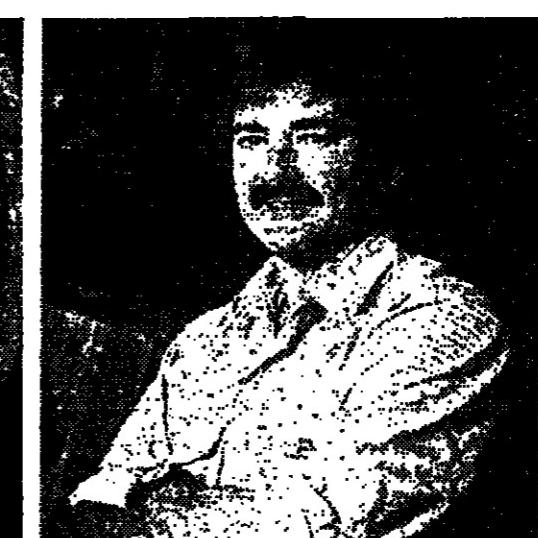
Airline companies, on the other hand, have benefited from the tide of Australians, New Zealanders and South Africans who have flown north to catch a second autumn and, therefore, grape harvest — in Europe and North America, just as they benefited earlier in the year from those Europeans and North Americans who flew south to work in Australian and South American cellars. Doing two vintages a year is now commonplace in the wine world, and those with a real thirst for experience may even manage three.

One keen chap from the Ardèche showed the way by making two out of the three annual grape harvests in humid Valencia as well as overseeing his own vintage back home in France. And Martin Shaw, a young Australian wine-maker whom I managed to track down by phone in his BMW between Bordeaux and Bourgogne the other day, is aiming at three next year. Not content with making wine in September/October in France and in February/March in Chile, he is planning a third vintage in April 1990 from his new, particularly late-ripening vineyard in South Australia.

He must be crazy (and, indeed, describes himself as 29 going on 45), but he could still formulate an explanation for this frenetic existence. "In a lifetime, a normal wine-maker might expect to make perhaps 30 vintages. Doing things this way means I could probably see as many as 70 or 80, although the way things are going — oh dear, I just about to crash into someone — I'll be lucky if I see another four!" Of course, there is nothing



Pioneers ... Spain's Miguel Torres Jr (left) and Australia's Brian Croser



Pioneers ... Spain's Miguel Torres Jr (left) and Australia's Brian Croser

especially new about wine people benefiting from the seasonal difference between the hemispheres by travelling the world and indulging in a little industrial espionage in foreign cellars. What is new is that an individual can have real wine-making power in both hemispheres.

The seeds were sown in 1978. As Miguel Torres Jr was branching out quietly from his family's business in Penedes in northern Spain, and investing in 150 hectares of the *terras vitícolas ibéricas* of Chile, a couple of Australians were making considerably more noise about their cheeky invasion of the wine world's epicentre, Bourgogne.

Wine writer and Judge Len Evans brought the expertise — and his mate, Peter Fox, the dollars — to buy the Graves Chateau Rahoul, and the Barac Chateau Padouen, to provide these Antipodean interlopers with something to drink at the end of the meal. This particular exercise in audacity came to a premature end in 1982 when "Fox" died in a car crash. But the Australian who oversaw the initial vintage at Chateau Rahoul, Brian Croser, managed to track down a converted fire station in a small town in Oregon.

Wine-making mania clearly came to contagion. Shaw, our friend in the BMW, worked for Croser in 1982 when "Fox" died in a car crash. But the Australian who oversaw the initial vintage at Chateau Rahoul, Brian Croser, has since introduced some new variables into the bi-continent, maxi-jet-setting wine-making game.

Croser was then, and remains, one of Australia's most influential wine men, a

living embodiment of the Down Under philosophy that the ideal winery would be strapped to the back of the car. He commutes thousands of miles each vintage time between patches of the right fruit, and is quite happy to blend different batches of geographically unruled wine if he thinks they will result in a better whole. He has finally laid the foundations of a *vinery building high* in the Adelaid Hills but, one senses that, like Crocodile Dundee, he feels it hammy to have a permanent base.

Not that he spends much time there, however, now that he has bought his own stake in the northern hemisphere. Many round-the-world tickets later (once losing a suitcase containing the entire working papers for his new American winery), he is about to launch his own Chardonnay made in a converted fire station in a small town in ... Oregon.

Wine-making mania clearly came to contagion. Shaw, our friend in the BMW, worked for Croser in 1982 when "Fox" died in a car crash. But the Australian who oversaw the initial vintage at Chateau Rahoul, Brian Croser, has since introduced some new variables into the bi-continent, maxi-jet-setting wine-making game.

About £100,000 has been invested in their own portable equipment — notably, stainless steel tanks and miles of tubing (in the pristine state of which they can trust), plus an increasing quantity of fashionably small oak barrels. But perhaps their most notable investment has been in their own portmanteau, Direct of Reading (dozen bottle orders minimum — tel. 0734 471144). Syrah Plus (£4.50) and Cabernet Sauvignon Plus (£4.10) are both 1988 Vins de Pays de la Haute Vallée de l'Aude and are confidently fruity, fizzy versions of the various Chateauneuf du Pape.

Now, he has moved on to a much more ambitious (and more sociologically interesting) application of trans-hemisphere production methods. Flying Wine-makers is the name of his team: this year, three Australians and one French convert who swooped into four co-operatives in south and west France, creaming-off specially selected grapes to make into wine the Australian way.

According to Tony Laithwaite of Bourgogne Direct and the Sunday Times Wine Club — who hatched the scheme in 1987, financed it and is now selling most of its produce in Britain — this means "utter dedication, the ability to go without sleep for days on end and rigorous cellar hygiene."

The learning process is, without doubt, two-way. The Australians admit that human input can overcome a less-than-perfect site, Laithwaite

roughly, to stop filtering and over-treating their wines, and to have the confidence to leave Chardonnay (in particular) in contact with the lees. And the Torres family run their two operations in such tandem that salaries in Chile are linked to those in Penedes.

So will all this import-export trade in wine-making talent continue? You bet. Paul Pontallier, of Chateau Margaux, has been making regular visits to Chile for years now while the fellow-first growth Chateau Lafite-Rothschild has paid the Chilean winery of Los Vascos the compliment of direct investment. And a sign of the times surely is that the largest Australian wine producer, Penfolds, has crossed Lafite's path geographically by investing in, and sending a wine-maker to, California's Geyser Peak winery.

Shaw, meanwhile, is talking about a foray into eastern Europe, although the imminent first crop expected by his wife — who has until now been happy to decamp to France for up to four months a year — could eventually clip his wings.

**SOME RECOMMENDED TRANS-HEMISPHERE WINES**

- Torres Don Miguel Rioja 1988, about £4.60 from Premier Wine Warehouse, London SW10; Peter Dominic, Strand, London WC2; The Celtic Vintner of Swanscombe; and Peter Green of Edinburgh. Dry, steely stuff like a mature, full-bodied Alsace — mature because so few people are clever enough to buy Riesling nowadays.

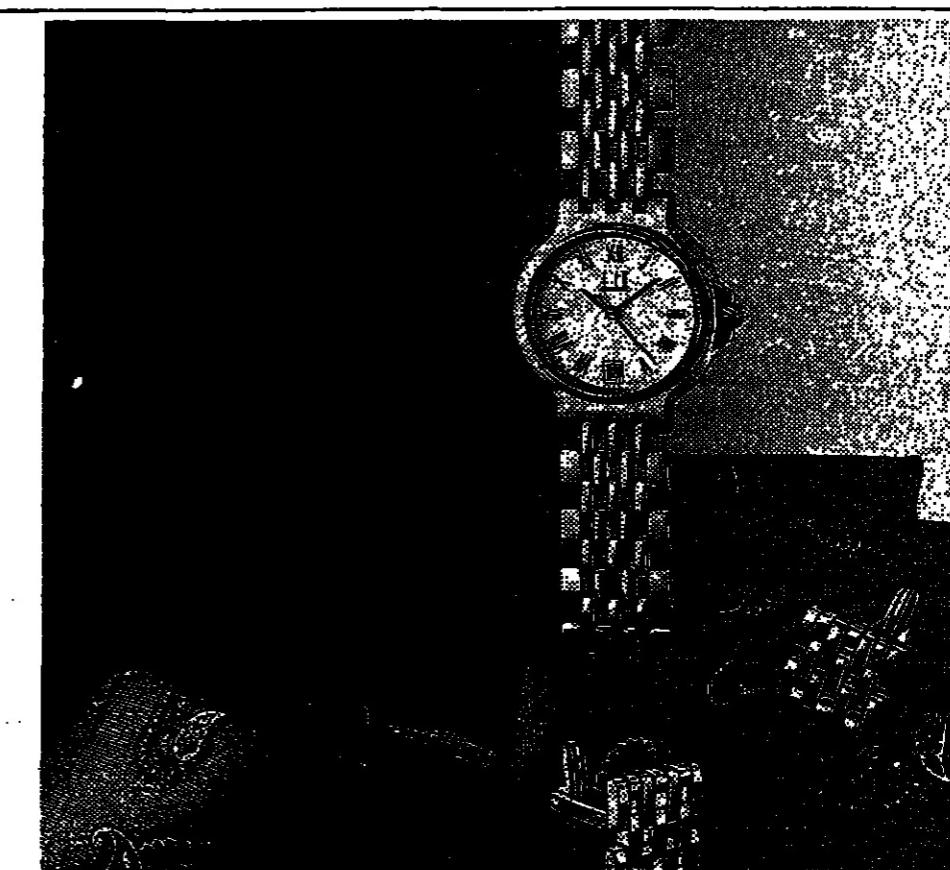
Torres Cabernet Sauvignon Rosado 1988, about £4, is good as a rosé for food and the Torres Bellistera 1988, about £5.50, is perfect for those who prefer traditional warts-and-all oaky white Riojas like Marques de Murrieta.

□ Flying Wine-maker products are available from Bourgogne Direct of Reading (dozen bottle orders minimum — tel. 0734 471144). Syrah Plus (£4.50) and Cabernet Sauvignon Plus (£4.10) are both 1988 Vins de Pays de la Haute Vallée de l'Aude and are confidently fruity, fizzy versions of the grapes of the North Rhône and Bourgogne respectively.

Montravel oak-aged Semi-Haut-Sauvignon 1988 (25.45) has been given almost a white burgundy structure with lots of fruit and a rich, still quite oaky nose. One to keep.

Domaine Caperau Sauvignon Blanc 1988 Chile (£4.10) is perhaps the best of the lot with excitingly pure fruit (rather than grass) flavours. It managed to impress both a top California wine man and a very picky New Zealander recently.

□ Croser Methode Traditionnelle sparkling wine 1986 (£12.50), from Lee Amis du Vin, 51 Chiltern Street, London WI. An extremely respectable rival to grande marquée champagne made by Brian Croser — not in Oregon but with the help of grande marque Bollinger at Petaluma, South Australia.



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Peter Lewis

## ARTS

## HERITAGE

# The trickle that could become a tidal wave

*Antony Thorncroft on the loss of Britain's art works*

**T**here are worrying signs that the fragile framework which safeguards our national heritage and prevents a steady seepage abroad of our finest works of art is in danger of cracking up.

Like the British Constitution, the safeguards are more conventions than realities. The annual government grant to the National Heritage Fund, the first line of defence, is derisory at just £3m, and the second barrier, the delaying power of the Committee on the Export of Works of Art, only offers a few months' grace for the Great and the Good to do their stuff and try to save treasures for the nation.

The loss this week to California of a William Blake notebook of drawings highlights the size of the problem. Its price of \$400,000 was quite beyond the reach of the British Library, which wanted it, and now it will be torn apart and its pages sold off to the highest bidders. The Heritage Fund would have liked to help but did not have the cash.

For many years, Lord Charteris, chairman of the fund, was private secretary to the Queen, and the ways of the courtier - agreeable, charming, optimistic - come naturally to him. But even he is having his good nature sorely tried by the Government's reluctance to provide adequate funding.

"I'm full of faith that the Government will see us right," said Lord Charteris when introducing the annual report of the fund this week. But, for the first time, he also talked about "painful decisions", and wondered out loud whether it matters if an important picture goes abroad: it still exists, while once an area of natural beauty is destroyed it cannot be recovered. It seems that, with the price of art at auction stuck at record levels, the fund will concentrate its limited resources on protecting the flora and the fauna of the country, also part of its brief, rather than chasing Gainsboroughs and Zoffanys.



Sportsman With Two Dogs, by Thomas Gainsborough

It is paintings by these two artists, along with a Ramsay portrait, which are causing the fund most immediate concern. Paul Mellon is selling the Gainsborough, a portrait of Mr Dade and his pointers, and the Canova's Three Graces from Woburn, to say nothing of the constant smaller demands.

The fund has promised £2m towards the cost of the *Mapa Mundi* if the Dean and Chapter of Hereford Cathedral will play ball and give up their hare-brained scheme to sell it on the market. They are still proving difficult, but Lord Charteris is "not totally without belief that a satisfactory solution will be arrived at". The Three Graces constitutes a tougher challenge. This neo-classical sculpture was devised by Canova for Woburn around 1800, and a special Temple was commissioned by the Duke of Bedford to house it. The family now wants to sell

it to set up a trust for the children, and the Getty Museum at Malibu has offered £7.5m. Fortunately, the fact that it was designed into the fabric of the house makes it part of a protected building and therefore it should not be dislodged (despite the fact that it is currently at Christie's). So argues Mid-Bedfordshire Council, which to date is waging a single-handed battle to save this masterpiece. The fund will stay well clear of this one, which could become the heritage issue of the decade.

Ideally, the fund would like

the Government to raise purchasing grants for museums and galleries - frozen for five years - so that it can assume the role of a safety net rather than the central purchasing agency. It has been forced to become. It is unlikely that these hopes will be realised, forcing to make ever more difficult decisions. It will probably let the Gainsborough go if a foreign buyer gets it at auction - it has been out of the UK for a few years and the country is not short of Gainsborough portraits. The Zoffany conversation piece is his finest work and worth battling for, but could fall victim to the pacy of funds.

For on top of these pictures there is Bradsworth Hall, near Doncaster, a mid-Victorian time capsule, to save, not to mention the 200 smaller requests that come the way of the fund each year. It can help only around a third. It might well be that in the future the fund will concentrate on paying out smaller sums, like the £8,500 to safeguard Landford Bog in Wiltshire; £25,000 to restore Cromford Mill in Lancashire, the first factory in the UK; and £2,228 for Brighton West Pier - all payments approved in the last six months - rather than exhaust all its resources on yet another painting on a wall. Of course, it is possible that the new Environment Minister, Chris Patten, will give the fund a rise, but you would need all Lord Charteris's optimism to trust to that.

**T**HERE IS no copyright on titles to exhibitions, but to have two major public galleries with offerings that all but coincide to the letter is unusual, if not careless. In the event, the shows are very different. "Degas: Images of Women", at the Tate in Liverpool until December 31 and reviewed by Susan Moore two weeks ago, is a study of a great artist's treatment of particular subject-matter, wonderfully varied yet wonderfully consistent. I mention it now only to point the difference.

"Images of Women", at the Leeds City Art Galleries (until January 7, sponsored by Hammond Suddards, Solicitors), is an anthology made by Corinne Miller, assistant keeper at Leeds, to show how women have been represented by artists through the ages. "For generations, images of women based on preconceptions by men, have lined the walls of our public art galleries." Thus runs the foreword to the catalogue. There is, as they say these days, a sub-text. We have been warned.

On the surface, the exhibition is extremely enjoyable, for Miss Miller has chosen some beautiful and extraordinary things. Side by side sit early works by Henry Moore and Barbara Hepworth from around 1928, when the artists were still on close professional terms. And already the Moore reclining figure has an idealistic, hieratic quality, that makes the Hepworth by contrast the more intimate and personal. Under the same heading, "Women and Power", comes Reynolds-Stevens' lifesize allegory of Elizabeth I and Philip of Spain at chess, "A Royal Game" (c.1911), a strange and splendid piece: she is arrogantly sidesaddle, while he is more thoughtful, even worried.

Woman as Artist and Muse has fine self-portraits of Mary Beale (1665), semi-confident within the rich pictorial conventions of the time; of Artemesia Gentileschi; of Angelika Kauffmann (c.1794), caught between the muse and of the enchanting Elizabeth Vigée le Brun (c.1782), consciously inviting comparison with Rubens' "Chapeau de Paille". Woman & Child includes a tiny Bonnard, of



Testing Valves, by Arthur McCormick : from Women at Home and Work

## EXHIBITION

## The second sex

*William Packer looks at Images of Women*

grandmother and grandchild, a Bellini Madonna, and an equivalent Spencer portrait of his first wife, Hilda, with their daughter Unity and her dolls.

Woman at Home and at Work includes a bed-sitter interior by Harold Gilman, and several fine war-time commissions: Wrens testing valves by Arthur McCormick and mending sails by Stanhope Forbes from the First World War; a Hurricane assembly plane by Elsie Newland, and Laura Knight's portrait of Corporal Pearson, GC, WAAF, from the Second: In the Garden of Eden contains images of courship - Arthur Hughes' Alma-Tadema and Hugh Riviere - and of sexual promise or encounter - Gaudier-Breska, Jan van Scorel, Eric Gill with his garden roller. With Woman and Man we come at last to the age-old, inevitable confrontation of the

sexes, with its promises and possibilities, frustrations and misunderstandings.

So far so good. The material is rich enough, and its discreetly pointed presentation in a fresh light is no bad thing. But the feminist reading of art history cannot leave it at that. In her essay in the catalogue, Griselda Pollock, of Leeds University, writes off that most complex period of social and political upheaval with the statement that for women, the French Revolution "did not lead to greater freedom, but less". "A new and very limited definition of women was invented," she continues. "Women were to be exclusively domestic bodies: housewives and, above all, mothers. The division of the sexes, which today we inherit, was formalised as a quite new idea in the late 18th century. Men were to

be intellectual, political and active; women emotional, domestic, passive."

She looks at the Vigée self-portrait and sees "an immensely successful painter working for the Queen . . . Yet she presents herself as an artist in a way that completely contradicts the woman artist whom we know worked hard and regularly . . . Instead we see a spectacle of femininity, a woman offering herself up to be looked at . . . Yet it is her exceptional skill as an artist which . . . has taken on the impossibly difficult shadow first used by Rubens . . . The painting is an ambitious painting, an intellectual challenge to one of the great masters triumphantly carried off". Self-exploitation or brilliant challenge? How difficult it must be for Miss Pollock to know what she thinks.

## COLLECTING Saints for sale

*Robin Dutky makes some fictional purchases*

It would be absurd to paint a veil over a pair of eyeballs, as Victorians often did over naked breasts or pudenda. So, if these remorselessly-peering eyes bother me, I shall have them overpainted with burning coal to symbolise one of the torments God helped Lucy to withstand.

The better-known Florentines of this period, such as Carlo Dolci and Cesare Dandini, are unacceptably sweet to many collectors and that is why Coccapani is a welcome rediscovery, especially to the Italians. His painting of Saint Sebastian, even though it had the feel of a deathbed scene, was the highlight of a recent sale in Rome, where it made \$50,000.

At Sotheby's in New York on October 18, I "bought" for \$182,000 a 5in x 18in Winslow Homer watercolour painted at Gloucester, Maine, of a yacht in a cove. It had belonged to John Dorrance Jr, the Campbell's Soup king, whose collection of Old Masters will be auctioned in January.

Along with Thomas Eakins, Homer is ranked the greatest of American artists. He took up painting while drawing illustrations of the Civil War for Harper's Weekly. Apart from providing training in the observation of detail, the war gave him an experience of mortality which he put to use in a number of inherently tragic subjects - often choosing an animal's struggle to survive as his metaphor.

He is a true exponent of that realism that threads its way through American painting from the early portraits through the Hudson River School, the Ash Can School and even to the psychological realism of the New York School.

The present watercolour dates from 1890, when Homer spent a second summer at Gloucester and shows him in full command of the medium.



Adam and Eve: one of four Castelli plaques

able to produce a subtle, yet sparkling, account of this Biblical scene.

Prices for Homer's watercolours are up 700 per cent over the last 10 years; 10 were sold last year for \$26,000 and \$240,000. Homer is among the bluest of blue chip investments and a 10 to 15 per cent growth rate is well within reach.

At Sotheby's Continental Ceramics sale on October 17, I "bought" for \$28,000 a set of four Castello plaques of about 1746, painted with scenes from the Book of Genesis - the creation of Adam, the formation of Eve, Adam and Eve at the tree of knowledge and the ban-

ishment from Eden. The painting is by a member of the Grue family in a delightful 18th century version of a medieval style in which God appears far too benign to have punished his creatures in the way the Bible claims.

These are the last in the line of wares that began with the much-admired majolica made at Urbino in the 1520-30 period. Until recently they were dismissed as too late, but prices have been rising by at least 30 per cent a year over the last five years and could have some way to go.

At Sotheby's furniture sale on November 10-11 I shall be bidding up to \$3,000 for a pine pedestal of about 1740, carved with oak-leaves, acanthus and a lion mask.

This example still has its original panelwork.

It is not a classic investment piece, but one for which demand will always be strong.

*Robin Dutky*

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## ARTS

**T**HE HONEYMOON is over on the South Bank. When the new management moved in three years ago, replacing the populist GLC as creative landlord, it was perfectly selected to disarrange the critics.

There was Nicholas Snowman, fresh from Paris, with ideas for imaginative musical festivals to pep up London's static orchestral diet; there was Richard Pulford, a bright approachable reformer on the business side; while the active chairman Rounie Grierson seemed to know everybody and to have the gift of charming money from both the state and commercial sponsors.

Now the situation is not so happy. Audiences at the flagship Festival Hall were down 2 per cent last season to 66 per cent of capacity and the South Bank Centre, which encompasses the three concert halls and the Hayward Gallery, is wrestling with a thin debit. Concerts and exhibitions are being quietly cancelled and some of the bold plans abandoned in the face of financial stringency.

The sad, inexcusable fact is that London's concert-going audience is too conservative for commendable initiatives like last season's extended Schoenberg season and the music of Latin America. Such experimentation might have been economically sustainable in a well-funded year, but the South Bank was struggling with an increase in grant of less than 2 per cent (to £11m) while some costs, such as the

# The South Bank honeymoon is over

Concert goers are just too conservative, says Antony Thorncroft sadly

bills for advertising and printing, were rising by 15 per cent or more. It only needed a messy row with the staff over a wage claim for the mockers to mount an attack on the new regime.

It shows the critics in a bad light. For years they have complained about the predictability of music in London. Now that it is being spiced up, they tear into a belatedly sprung South Bank. Perhaps Snowman et al are naive in their idealism, but there is something brave about such enterprises as the current Ligeti season. Predictably, attendances are below forecast, and one concert has been cancelled, but only by playing the works can an audience be created for contemporary music.

The South Bank hopes to make up its missing million by boosting revenue by £200,000, mainly through sponsorship and commercial activities in its shops and restaurants, and by cutting costs by the same amount, through such mundane savings as on maintenance (the windows will be washed less frequently) and advertising. But it is still taking risks, and the Maxwell Davies festival planned for 1990 is going ahead.

The problem for Grierson and his team is that they are prisoners of their Halls. Only about 15 per cent of the concerts are their own promotions and in the main they depend on hall rentals and 15 per cent of the box office, plus the expenditure of audiences at shops, bars, etc, for their income.

They are loathe to increase the rentals for the leading London orchestras, their main clients, and when they try and enliven the programme the result is often a box office disaster. A Venezuelan orchestra last season played to a 10 per cent audience and cost the South Bank £17,000, while a Greek

festival at the Elizabeth Hall did little better.

Even the heavily promoted festival can be disappointing. In the event the Schoenberg played to 32,000 people and was only 1 per cent under target; it was the French season which made a bigger hole in the budget. Some of the extra costs,

which accounted for half the deficit, were due to poor planning: the decision to stage Elektra on two nights with an RPO concert in between involved the South Bank in quite unnecessary stage setting and unremoving.

Not surprisingly the South Bank prefers to look forward to a brighter future. By the end of November it should have selected one or two orchestras in residence. There were only two applicants for the job, the London Philharmonic and the Philharmonia, who happen to be the main users of the Festival Hall.

A joint residency seems the obvious solution. The orchestras gain no great financial benefits but will have more rehearsal time (costing the South Bank £50,000 a year in dark nights) and by 1991-92 should provide between them eighty odd better rehearsals, more imaginative concerts, built around a festival devoted to post-War avant-garde music conducted by Boulez and Pollini.

In the intervening season, 1990-91, the South Bank should have a smoother ride with its concentration on Mozart. More repeat concerts will also save money. By this

time too some of the commercial changes will be producing extra income, notably the Festival Club, a suite in which sponsors can entertain clients (to be financed by a £60,000 gift), and the refurbished restaurant South Bank Enterprises, a recently designed subsidiary formed to exploit the Halls' attraction to conference organisers and other ancillary sources of revenue. The South Bank is looking for £1.1m from sponsors this season.

Also by 1991, work will have started on the renovation of the South Bank, which involves the covering over of the area between the Halls and the creation of a plaza stocked with shops, restaurants, etc. The humanising of the complex will close the smaller halls for a year, but by 1994 the South Bank should look much better and be in a stronger financial state thanks to the commercial rub-off from the development.

Unlike other arts organisations the South Bank has chosen not to whinge in public. Perhaps it has not resolved the conflicting tensions between Snowman's commitment to adventurous programming and Grierson's faith in audience friendliness. A coherent philosophy has yet to emerge, but music can be creative and the South Bank could still pull through as London's leading cultural centre rather than as a shopping mall with music.



The firm at the South Bank (left to right): Ronald Grierson, Nicholas Snowman and Richard Pulford

## A hot shot let loose on the town

Martin Hoyle on a winning play from the US

The Mobil Playwriting Competition has thrown up exciting work in the past through its collaboration with Manchester's Royal Exchange Theatre. In *Windin' the Ball*, a special "prizewinner", they have happened on a pipkin of a play, a black comedy that effortlessly mixes the hilarious with the horrific, and has us laughing at innocent people who are gunned down by that frightening American — and, of late, European — phenomenon, the biker sniper.

Alex Finlayson lives in Richlands, Virginia, and the stormy All Saints' Day she chronicles is steeped in small-town Appalachia. Mike Taylor's design lays out the Co-Op Farm Bureau, or general store, before us in beautiful detail (director Greg Hensov carefully researched place and people in Richlands, itself, though

whether the townsfolk will ever talk to Ms Finlayson again is a moot point). Shelves are crammed with Froot Loops and Alpha Bits, Golden Graham Naks, Smurfs and Magic Berries. Slow-witted Claude, taciturn but succinct, is piling up sacks of meat (he knows a barbecue must be built for some reason) to the distress of the new manageress, whose instructions he ignores. Over the till presides the thin-lipped Bible-quoting Leona, the sort of cashier who firmly claims "I don't touch money" (a rather British approach to commerce, this), and "I go by the law of Jehovah," which may, as her nervous employer points out, contravene the odd federal race law.

Overnight, the glass door has been smashed in, Halloween mischief that alarms

unaware, the uncomprehending. Life's mixture of terror and triviality is marvelously illustrated by the deaf breadman's delivery. Cheerily oblivious, he leaves his consignment and, despite the assembled company's warning shrieks, bustles back into the street where a shot suggests he has handled his last crumb cake.

No prizes for guessing who has flipped his lid. Act 1 ends with the grinning football coach, rifle in hand, confronting his wife and the others. Act 2 is more conventional, the long littleness of their life painfully unwound, emphasised by the central pair's slightly strained playing. Lisa Eichhorn's pallid Jamie is fully stretched vocally and emotionally, and David Schofield, however intelligent, simply looks wrong as an American football coach.

But the writing is splendidly

assured, with wit and perception that bespeak a major talent. Even symbolism — that Achilles heel of much American drama — packs a powerful punch in the box rat-trap that mires the rodents in with a cheese substance but prevents their escape until "their guts explode." These trapped

characters explode impeccably in death, and wry distaste à la Thelma Ritter; Ian Bartholemew's Doomer, pleasurable excited by the liveliness that slaughter brings to the; and Trevor Cooper's lumbering Claude, a whole world of logic and observation behind the retard's facade.

FROM November 25, *Radio Times* will revert towards its old layout with the day's programmes for all the radio stations together for comparison, one double-spaced for each day of the week. Omnivorous punters must still look elsewhere for television. Changes in Radio 4 evenings, too: Monday to Thursday, *Financial World* is now at 9.15. *The World Tonight* at 10.15. Book at Bedtime at the more likely bedtime of 10.45. On Friday, *Letter from America* at 9.45, and a new *Financial Week* at 11.25. This was a rich week for drama, but I must first pay my occasional tribute to Radio 1, which has been doing *Drag Alert* again since Wednesday.

### Radio

## Dramatic riches

including a five programme of talks with AIDS sufferers.

The first play I heard, *The Song of Lawino* (Radio 3, Saturday), was adapted from a Ugandan poem by Okot p'Bitek telling of an Acoli woman's distress at her husband's becoming Europeanised. The production is by Reduta Deux, a New York women's multi-racial company. Short sentences are spoken, sung solo or in chorus. Valeria Vasilevski

has a neck, and a drunk shouting at him. Brunelli runs a crusade to save the centuries-old balconies of Lima from destruction by modern builders like Canepe.

His daughter Leonia, who helps in his crusade, is courted by Canepe's son Diego, who joins their protest in spite of his father's modernity. But when they marry, Leonia tells her father that she doesn't care for the crusade, and loves Diego less than a former lover whom Brunelli saw off because he stood for the destruction of all Spanish colonialist work.

Back to the opening scene: Brunelli hangs himself, but his beloved balcony lets him down. He survives, and goes off with the drunk to get wheelbarrows to collect the ruins.

The World Service, apart from its contributions to the Globe Theatre, also offers its listeners their exclusive drama from time to time. Its latest is Richard Nelson's *Principia Scriptoria*, the story of two young literary revolutionaries in a South American jail.

Their contrasted conversation, punctuated by the worst kind of practical local politics, is as instructive as it is exciting. Anton Lesser played the rowdy American Sean Baker the intellectual South American, and Gordon House directed.

Back to Radio 3, with Tuesday's *From a Second Home in Picardy* by David Cregan. This is a ragout of letters home from a novelist to his family, his mistress and his agent. Varied astringent sauces are added by the recipients and the subject-matter. In Picardy, the emotions of the moment depend on the state of the writer's unreliable car, which affects all the villagers somehow or other and absorbs his family's savings.

He argues convincingly that, in the case of Rich, a nostalgia for the great Broadway musicals and a xenophobic fury about Lloyd Webber's New York invasion, has injured him to any acknowledgement that musical theatre and technology have moved on.

The good thing about the book, which is well-written and handsomely produced, with 72 large pages of colour photo-

I n Gerald McKnight's biography of Andrew Lloyd Webber, published in 1984, Derek Jewell, the late Sunday Times jazz critic, renounces London theatre criticism for not knowing "the first thing about music."

Lloyd Webber, whose work he championed to the point of undiscriminating sycophancy, was not getting a fair deal.

The battle widens in a new study, *Andrew Lloyd Webber*, by Michael Walsh (Viking, 240 pages, £20). Walsh is the music critic of Time magazine, an American with impressive credentials (he won the Arlington Symphony piano competition in 1967 and graduated from the Eastman School of Music at the University of Rochester in 1971). He declares that the subject of his book is "the inability of theatre critics to come to grips with the nature of modern musical theatre." Deliciously, and with his own new brand of propagandist resentment, he derides Derek Jewell as much as anyone.

But Walsh is soft on the other British critics, allowing his well-organised and analytical pages on the scores to make the just point that even musically literate drama critics seldom get stuck into the fine detail. His wrathful contempt is reserved for his New York counterparts, especially Frank Rich of the New York Times and Clive Barnes on the New York Post, and formerly of the Times.

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## BOOK REVIEW High flying adored...

Michael Coveney on a new look at Andrew Lloyd Webber

graphs, is that this partiality to a cause has not blinded Walsh to his critical responsibilities. He is toughest on *Cats* and *Starlight Express*, unyielding on the problematical conclusion of *Aspects of Love* and insistent that both *Evita* and *Requiem* have been under-rated and misunderstood.

The vexed issue of plagiarism, an accusation often levelled at Lloyd Webber with no particular evidence, is well fielded. The most startling thing about Lloyd Webber's activity is the extent to which he is a sort of creative misersness means that, like Beethoven and Rossini, he steals most often from himself.

You flinch a little when Walsh avers that the most important opera composers of today are Philip Glass, John Adams, Stephen Sondheim and Lloyd Webber. But his book supports the contention that his talent is at the very least complex and interesting. His style is a semi-conscious amalgamation of rock show music and classical influences". Ligeti and Penderecki are

detected in the atonal setting of the Seven Last Words in *Jesus Christ Superstar*. The presence of Prokofiev and Puccini is consistently pinned down. The "Pie Jesu" in the *Requiem* uses two boy sopranos combined in thirds, as Mozart combined the two sisters in *Cosi fan tutte*. And Che's "High Flying Adored" in *Evita* is a gentle F-majorise in 4/4 with a fine lyrical bent and a Schubert-like strophic structure, distinguished by a sharp modulation to D-major when Evita takes the vase".

You may protest that these are but simple comments of the sort you would expect to find on any self-respecting record sleeve. But Lloyd Webber has not even had paper score-notes before: it is either Derek Jewell-type gush, or intemperate, unsubstantiated dismissal.

Walsh is not fastidious in documenting either the material success or the romantic entanglement with Sarah Brightman that finished the first marriage to Sarah Norris. But for once this information jostles alongside more penetrative titbits such as the clear identification of the composer's preferred "important" key being D-flat major, and "Love Changes Everything" being the first three-chord song in the canon.

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CHESSE NO. 795  
1... RE1 (THREAT BF4+ AND Rx2 mate) 2 Qh5 (if 2 c3 Bf3+ 3 Kc2 Qf2+ White loses a rook and is soon mated) Qf4+ 3 Kb1 Qd1 and White reigned.

### Pick of the Week

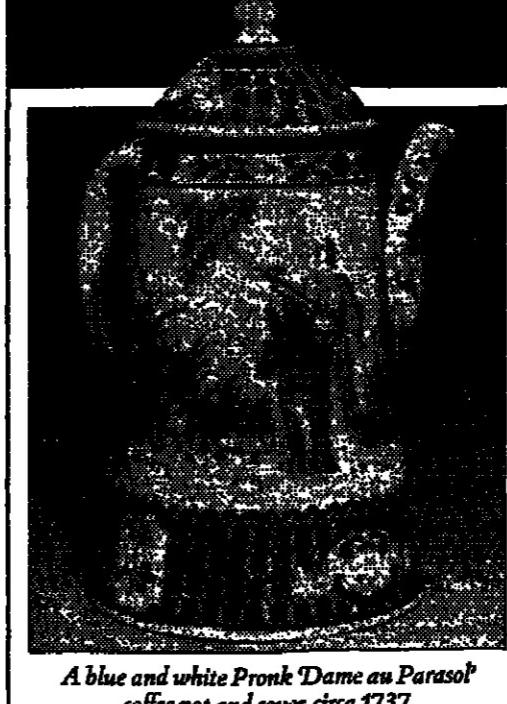
**CHRISTIE'S**

**THIS UNUSUAL COFFEE POT** is painted after a design by the Dutch drapier Cornelis Pronk. The Dame au Parasol was one of several designs commissioned from Pronk by the Dutch East India Company between 1734 and 1737. These designs were not only applied to Chinese blue and white, famille rose and imari decorated wares made for export to the West, but samples were also ordered in blue and white Arita from the Japanese. This coffee pot will be included in the sale of Fine Chinese Export Porcelain and Works of Art at Christie's King Street on Monday, 30 October 1989 at 10.30 a.m.

For further information on this and any other sales in the next week, please telephone (01) 839 9060.

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## SPORT

# A race to stiffen the sinews

**Keith Wheatley on the latest leg in the Whitbread Round the World contest**

**COMPARED TO THE** Uruguay-Fremantle leg of the Whitbread Round the World Race, the Paris-Dakar car rally takes place in a suburban back yard. Twenty-four yachts sail at noon today on a 7,650 mile nautical bobsleigh ride to Western Australia.

Turn a globe upside down and you will see that for most of the run the boats will be nearest to Antarctica than any inhabited source of help.

Bravado helps the crews cope with the fear. Some boast of surfing down waves taller than oak trees, of spinnakers not taken down for a fortnight. There is that. But the sailors who have been below 50 degrees south before speak less and contemplate frozen beards, spray frozen like bullets and – above all – the terror of drifting ice.

These semi-submerged lumps of pure danger are called "growlers." They break off from bigger icebergs and lie just below the surface. On average, a fully laden maxi-yacht weighs around 25 tons and travels downwind at close to 20 knots. Hit a "growler" and the boat will sink quicker than it takes to send an SOS to the non-existent South Pole Rescue Service.

No wonder the departure from Punta del Este will be a little more subdued than the carnival-like exit from the Solent on September 2. That bright summer's day the yachts headed west pursued by probably the largest hootin', hollerin' spectator fleet ever seen on British waters. The French post office even chartered a cross-Channel ferry to provide a grandstand for its entry, *La Poste*.

Steinlager II, the giant red ketch skippered by New Zealand sailor Peter Blake, led the fleet out past the Needles. Twenty-five days and 20 hours later she was first into Punta del Este. It was a faultless performance, with barely a broken shackle, despite encountering the southern skirts of Hurricane Hugo.

Blake, sailing in his fifth

Whitbread but not yet a winner, was faultless in his route-planning – aided by two Apple computers which processed satellite-transmitted weather data 24 hours a day. Steinlager consistently sailed to the west of her opposition.

"Our on-board computer routing programme suggested that we should head west once we passed Cape Finisterre and the tactic worked just fine," said Blake in an interview as the yacht crossed the Equator.

"We ran into our own private calm off the Cape Verde islands, which slowed us for 12 hours, but we had a lot of luck in the Doldrums where the chasing boats never got closer than 60 miles.

Blake and the other skippers faced a crucial decision as to where to cross the dreaded calms. Satellite pictures were clear, but the weather systems

less dramatic. Just four days from the finish a huge crack appeared in the deck of Rothmans. At over 10 knots the yacht sailed into a south Atlantic roller with no back to it. "The bows shot through the foaming crest, then just dropped a full 30ft to crash into the trough behind," recalled Smith.

The deck area was carbon composite designed to take loads of up to 180 tons. It sheared with a crack like a Royal Artillery shell. "With the deck split we could feel the crippled boat moving under our feet like jelly," said Smith.

Ironically, he did not know that at around the same time the ketch he was racing to catch Fisher & Peykel lost her mizzen-mast overboard in a catastrophic gear failure. Kiwi skipper Grant Dalton ordered radio silence and a news blackout lest other boats come hunting for his crippled yacht.

It was a tactic that would not work in the coming leg. Rear-Admiral Charles Williams, race director, has ordered that in view of the extreme risks in the Southern Ocean all competitors must radio in twice a day. Of course, given the premium on positional secrecy, some will not and that poses a question on how soon to panic.

Certainly very little could give quite the empty feeling to a sailor's stomach as did news of a fellow competitor's suicide in Uruguay. Russian sailor Alexei Gryschenko hanged himself just outside Punta del Este two days after arriving in a brilliant seventh place.

Gryschenko, whose wife gave birth to their first child while he was at sea, must have had secret worries.

Since a totally unfair new handicapping system appears to have eliminated the chance of a smaller yacht winning the Whitbread on corrected times, it is already apparent from the performances on Leg I that one of the big-league maxis will lead into the Solent next May.

Steinlager remains the bookies' choice, with odds of 5/2. Then comes Merit, with 5/2. Then comes Merit, with

Swiss skippered by the 85/86 Whitbread winner Pierre Fehlmann – or "Marty," as he is known to his rivals. Rothmans and Fisher & Peykel are equally third-fancied with odds of 9/2.

It is a sign of how close this race is going to be, yachts often in sight of each other after 3,000 miles at sea, that both the later teams have beefed up their crews with additional Olympic-level small boat helmsmen. Large transfer fees are being offered in some cases.

With the total sponsorship of more than £50m riding on the race and a whiff of mortal peril thrown in, it is easy to see why nerves are a little stretched this weekend.

Within two weeks, the group had received 400 replies with some respondents so enthusiastic

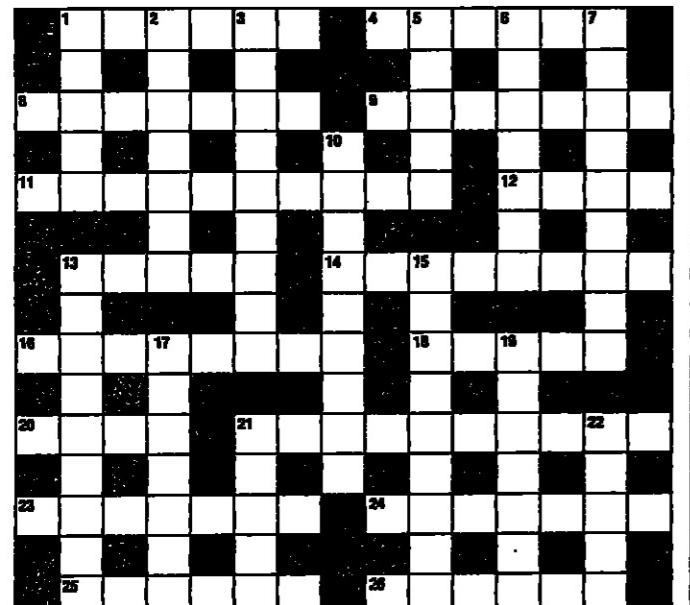


Steinlager: remains the bookies' choice

## CROSSWORD

### No. 7,075 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday November 8, marked Crossword 7,075 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 11.



Solution to Puzzle No. 7,074

TESTIMONEE ADVICE  
O H I L I M H  
SHOWBOAT A H A S T H  
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R C I R A C E  
D R O O P Y H A Y M A K E R

Solution and winners of Puzzle No. 7,063

Indicates programme in black and white

**BBC1**

6.30 am *New Adventures of Mighty Mouse*, 6.45 Eggs 'n' Bakes, 6.50 *Thunderbirds*, 6.55 *Grandstand* from 12.20 *Judo* (World Cup), 7.05 *Children from Belgrade*, 7.25 *News*, 7.15 *Racing from the Solent*, 7.30 *TV Times*, 7.45 *Cricket* from Preston, 7.45 *Racing from Newbury*, 7.55 *Boats*, 8.00 *TV Challenge*, 8.25 *Coronation Street*, 8.45 *Results Service*, 8.50 *ITV News* and sport, 9.00 *Letters from the Queen*, 9.15 *Merit*, 9.30 *News*, 9.45 *ITV News*, 9.55 *ITV News*, 10.00 *ITV News*, 10.15 *ITV News*, 10.30 *ITV News*, 10.45 *ITV News*, 10.55 *ITV News*, 11.00 *ITV News*, 11.15 *ITV News*, 11.30 *ITV News*, 11.45 *ITV News*, 11.55 *ITV News*, 12.00 *ITV News*, 12.15 *ITV News*, 12.30 *ITV News*, 12.45 *ITV News*, 12.55 *ITV News*, 1.00 *ITV News*, 1.15 *ITV News*, 1.30 *ITV News*, 1.45 *ITV News*, 1.55 *ITV News*, 1.55 *ITV News*, 2.15 *ITV News*, 2.30 *ITV News*, 2.45 *ITV News*, 2.55 *ITV News*, 2.55 *ITV News*, 3.00 *ITV News*, 3.15 *ITV News*, 3.30 *ITV News*, 3.45 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